UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended October 28, 2018
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____ to ____

Commission file number 1-6458

JOHN DEERE CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**36-2386361**
(State of incorporation)	(IRS Employer Identification No.)

10587 Double R Boulevard, Suite 100 **Reno, Nevada**	**89521**	**(775) 786-5527**
(Address of principal executive offices)	(Zip Code)	(Telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	**Name of each exchange on which registered**
2.75% Senior Notes Due 2022	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Emerging growth company ☐
Non-accelerated filer ☒	Smaller reporting company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☒

At November 25, 2018, 2,500 shares of common stock, without par value, of the registrant were outstanding, all of which were owned by John Deere Financial Services, Inc.

The registrant meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form with certain reduced disclosures as permitted by Instruction I(2).

PART I

Item 1. Business.

This Annual Report on Form 10-K contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Annual Report on Form 10-K are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, and other important information about forward-looking statements are disclosed under Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations–Safe Harbor Statement" in this Annual Report on Form 10-K.

The Company

John Deere Capital Corporation (Capital Corporation) and its subsidiaries are collectively called the Company. John Deere Financial Services, Inc. (JDFS), a wholly-owned finance holding subsidiary of Deere & Company, owns all of the outstanding common stock of Capital Corporation. See "Relationships of the Company with John Deere" for additional information regarding agreements between the Company and Deere & Company. The Company conducts business in Australia, New Zealand, the United States (U.S.), and in several countries in Africa, Asia, Europe, and Latin America.

The Company provides and administers financing for retail purchases of new equipment manufactured by Deere & Company's agriculture and turf and construction and forestry operations and used equipment taken in trade for this equipment. The Company generally purchases retail installment sales and loan contracts (retail notes) from Deere & Company and its wholly-owned subsidiaries (collectively called John Deere). John Deere generally acquires these retail notes through John Deere retail dealers. The Company also purchases and finances a limited amount of non-Deere retail notes. The Company also finances and services revolving charge accounts, in most cases acquired from and offered through merchants in the agriculture and turf and construction and forestry markets (revolving charge accounts). The Company also provides wholesale financing for inventories of John Deere agriculture and turf and construction and forestry equipment owned by dealers of those products (wholesale receivables). In addition, the Company leases John Deere equipment and a limited amount of non-Deere equipment to retail customers (financing and operating leases). The Company also offers credit enhanced international export financing to select customers and dealers, which generally involves John Deere products. Retail notes, revolving charge accounts, wholesale receivables, and financing leases are collectively called "Receivables." Receivables and equipment on operating leases are collectively called "Receivables and Leases."

Capital Corporation was incorporated under the laws of Delaware and commenced operations in 1958. At October 28, 2018, the Company had 1,657 full-time and part-time employees.

Business of John Deere

John Deere's operations are categorized into three major business segments:

The *agriculture and turf* segment primarily manufactures and distributes a full line of agriculture and turf equipment and related service parts, including: large, medium, and utility tractors; tractor loaders; combines, cotton pickers, cotton strippers, and sugarcane harvesters; harvesting front-end equipment; sugarcane loaders and pull-behind scrapers; tillage, seeding, and application equipment, including sprayers, nutrient management and soil preparation machinery; hay and forage equipment, including self-propelled forage harvesters and attachments, balers, and mowers; turf and utility equipment, including riding lawn equipment and walk-behind mowers, golf course equipment, utility vehicles, and commercial mowing equipment, along with a broad line of associated implements; integrated agricultural management systems technology and solutions; and other outdoor power products.

The *construction and forestry* segment primarily manufactures and distributes a broad range of machines and service parts used in construction, earthmoving, road building, material handling, and timber harvesting, including: backhoe loaders; crawler dozers and loaders; four-wheel-drive loaders; excavators; motor graders; articulated dump trucks; landscape loaders; skid-steer loaders; milling machines; recyclers; slipform pavers; surface miners; asphalt pavers; compactors; tandem and static rollers; mobile crushers and screens; mobile and stationary asphalt plants; log skidders; feller bunchers; log loaders; log forwarders; log harvesters and related logging attachments.

John Deere's worldwide agriculture and turf and construction and forestry operations are sometimes collectively referred to as the "Equipment Operations." The products and services produced by the segments above are marketed primarily through independent retail dealer networks and major retail outlets.

The *financial services* segment includes the operations of the Company (described herein), and additional operations in the U.S., Canada, Brazil, China, India, Russia, and Thailand. The segment primarily finances sales and leases by John Deere dealers of new and used agriculture and turf equipment and construction and forestry equipment. In addition, it provides wholesale financing to dealers of the foregoing equipment, finances retail revolving charge accounts, and offers extended equipment warranties.

Worldwide net income attributable to Deere & Company in 2018 was $2,368 million, or $7.24 per share diluted ($7.34 basic), compared with $2,159 million, or $6.68 per share diluted ($6.76 basic), in 2017. Affecting 2018 net income were increases to the provision for income taxes of $704 million due to the enactment of U.S. tax reform legislation on December 22, 2017 (tax reform).

John Deere's net sales and revenues increased 26 percent to $37,358 million in 2018, compared with $29,738 million in 2017. Net sales of the Equipment Operations increased 29 percent in 2018 to $33,351 million from $25,885 million last year. John Deere's acquisition of the Wirtgen Group (Wirtgen) in December 2017 added 12 percent to net sales for the year. Sales included price realization of 1 percent with no significant currency translation effect. Net sales of the Equipment Operations in the U.S. and Canada increased 25 percent for 2018, with Wirtgen adding 4 percent. Outside the U.S. and Canada, net sales increased 34 percent for the year, with Wirtgen adding 22 percent.

The agriculture and turf segment had net sales of $23,191 million in 2018, compared with $20,167 million in 2017. The construction and forestry segment had net sales of $10,160 million in 2018, compared with $5,718 million in 2017. The financial services segment had revenues of $3,252 million in 2018, compared with $2,935 million in 2017.

Outlook for John Deere

Deere & Company's equipment sales are projected to increase by about 7 percent for fiscal year 2019 compared with 2018. For fiscal year 2019, net income attributable to Deere & Company is forecast to be about $3.6 billion.

Agriculture and Turf. Deere & Company's worldwide sales of agriculture and turf equipment are forecast to be up about 3 percent for fiscal-year 2019, including a negative currency-translation effect of 2 percent. Industry sales of agricultural equipment in the U.S. and Canada are forecast to be about the same to 5 percent higher, helped by replacement demand for large equipment and continued demand for small tractors. Full-year industry sales in the European Union (EU)28 member nations are forecast to be about the same as a result of drought conditions in key markets. South American industry sales of tractors and combines are projected to be about the same to up 5 percent benefiting from strength in Brazil. Asian sales are forecast to be about the same to down slightly. Industry sales of turf and utility equipment in the U.S. and Canada are expected to be about the same to 5 percent higher for 2019.

Construction and Forestry. Deere & Company's worldwide sales of construction and forestry equipment are anticipated to be up about 15 percent for 2019, with foreign-currency rates having an unfavorable translation effect of 2 percent. The forecast includes a full year of Wirtgen sales, versus 10 months in fiscal 2018, with the two additional months adding about 5 percent to division sales for the year. The outlook reflects continued growth in U.S. housing demand as well as transportation investment and economic growth worldwide. In forestry, global industry sales are expected to be up about 10 percent mainly as a result of improved demand throughout the world, led by the U.S.

Financial Services . Net income for the financial services operations in fiscal year 2019, which includes the Company, is expected to be approximately $630 million. The outlook reflects a higher average portfolio, partially offset by increased selling, administrative and general expenses, a higher provision for credit losses, and less-favorable financing spreads. Financial Services net income for 2018 included a tax benefit of $341.2 million related to tax reform. Net income attributable to the Company for 2019, which does not include the financial services operations in Canada, Brazil, China, India, Russia, and Thailand or the insurance business related to extended equipment warranties, is projected to be approximately $500 million. Excluding the impact of tax reform, the outlook reflects a higher average portfolio, partially offset by increased selling, administrative and general expenses, less-favorable financing spreads, and a higher provision for credit losses.

Relationships of the Company with John Deere

The results of operations of the Company are affected by its relationships with John Deere, including, among other items, the terms on which the Company acquires Receivables and Leases and borrows funds from John Deere, the reimbursement for interest waiver and low-rate finance programs from John Deere, the compensation paid by John Deere in connection with the Company's purchase of trade receivables from John Deere, and the payment to John Deere for various expenses applicable to the Company's operations. In addition, the Company and John Deere have joint access to certain lines of credit.

The Company's acquisition volume of Receivables and Leases is largely dependent upon the level of retail sales and leases of John Deere products. The level of John Deere retail sales and leases is responsive to a variety of economic, financial, climatic, legislative, and other factors that influence demand for its products. The majority of the Company's businesses are affected by changes in interest rates, demand for credit, and competition.

The Company bears substantially all of the credit risk (net of recovery from withholdings from certain John Deere dealers and merchants) associated with its holding of Receivables and Leases. A small portion of the Receivables and Leases held (less than 5 percent) is guaranteed by certain subsidiaries of Deere & Company. The Company also performs substantially all servicing and collection functions. Servicing and collection functions for a small portion of the Receivables and Leases held (less than 5 percent) are provided by John Deere. John Deere is reimbursed for staff and other administrative services at estimated cost and for credit lines provided to the Company based on utilization of those lines.

The terms and the basis on which the Company acquires retail notes and certain wholesale receivables from John Deere are governed by agreements with John Deere, generally terminable by either John Deere or the Company on 30 days notice. As provided in these agreements, the Company agrees to the terms and conditions for purchasing the retail notes and wholesale receivables from John Deere. Under these agreements, John Deere is not obligated to sell notes to the Company, and the Company is obligated to purchase notes from John Deere only if the notes comply with the terms and conditions set by the Company.

The basis on which John Deere acquires retail notes and wholesale receivables from the dealers is governed by agreements with the John Deere dealers, which may be terminated in accordance with their terms and applicable law. In acquiring these notes from dealers, the terms and conditions, as set forth in agreements with the dealers, conform with the terms and conditions adopted by the Company in determining the acceptability of retail and certain wholesale notes to be purchased from John Deere. The dealers are not obligated to sell these notes to John Deere and John Deere is not obligated to accept these notes from the dealers. In practice, retail and wholesale notes are acquired from dealers only if the terms of these notes and the creditworthiness of the customers are acceptable to the Company. The Company acts on behalf of both itself and John Deere in determining the acceptability of the notes and in acquiring acceptable notes from dealers.

The basis on which the Company enters into leases with retail customers through John Deere dealers is governed by agreements between dealers and the Company. Leases are accepted based on the terms and conditions, the lessees' creditworthiness, the anticipated residual values of the equipment, and the intended uses of the equipment.

Deere & Company has an agreement with Capital Corporation pursuant to which it has agreed to continue to own, directly or through one or more wholly-owned subsidiaries, at least 51 percent of the voting shares of capital stock of Capital Corporation and to maintain the Company's consolidated tangible net worth at not less than $50.0 million. This agreement also obligates Deere & Company to make payments to the Company such that its consolidated ratio of earnings to fixed charges is not less than 1.05 to 1 for each fiscal quarter. For 2018 and 2017, the Company's ratios were 1.78 to 1 and 1.95 to 1, respectively, and never less than 1.69 to 1 and 1.79 to 1 for any fiscal quarter of 2018 and 2017, respectively. Deere & Company's obligations to make payments to the Company under the agreement are independent of whether the Company is in default on its indebtedness, obligations or other liabilities. Further, Deere & Company's obligations under the agreement are not measured by the amount of the Company's indebtedness, obligations, or other liabilities. Deere & Company's obligations to make payments under this agreement are expressly stated not to be a guaranty of any specific indebtedness, obligation, or liability of the Company and are enforceable only by or in the name of Capital Corporation. No payments were required under this agreement during the periods included in the consolidated financial statements.

The Company purchases certain wholesale trade receivables from John Deere. These trade receivables arise from John Deere's sales of goods to independent dealers. Under the terms of the sales to dealers, interest is primarily charged to dealers on outstanding balances, from the earlier of the date when goods are sold to retail customers by the dealer or the expiration of certain interest-free periods granted at the time of the sale to the dealer, until payment is received by the Company. Dealers cannot cancel purchases after the equipment is shipped and are responsible for payment even if the equipment is not sold to retail customers. The interest-free periods are determined based on the type of equipment sold and the time of year of the sale. These periods range from one to twelve months for most equipment. Interest-free periods may not be extended. Interest charged may not be forgiven and the past due interest rates exceed market rates. The Company receives compensation from John Deere at approximate market interest rates for these interest-free periods. The Company computes the compensation from John Deere for interest-free periods based on the Company's estimated funding costs, administrative and operating expenses, credit losses, and required return on equity.

Description of Receivables and Leases

Receivables and Leases arise mainly from retail and wholesale sales and leases of John Deere products and used equipment accepted in trade for them, and from retail sales of equipment of unrelated manufacturers. Receivables and Leases also include revolving charge accounts receivable. At October 28, 2018 and October 29, 2017, at least 90 percent of the Receivables and Leases administered by the Company were for financing that facilitated the purchase or lease of John Deere products.

John Deere Financial, f.s.b. (Thrift), is a wholly-owned subsidiary of Capital Corporation. It holds a federal thrift charter and is regulated by the Office of the Comptroller of the Currency (OCC). The U.S. Federal Reserve Board has oversight of the Company, as the owner of the Thrift. The Thrift is headquartered in Madison, Wisconsin and offers revolving charge products including John Deere Financial Multi-Use Account, PowerPlan ® , and John Deere Financial Revolving Plan throughout the U.S. Through its John Deere Financial Multi-Use Account product, the Thrift finances revolving charge accounts offered by more than 9,000 retailers to their customers for the purchase of goods and services. John Deere Financial Multi-Use Account customers purchase parts and service at equipment dealerships and farm inputs such as seed, crop protection products, fertilizer, and other supplies. The PowerPlan ® revolving charge account is primarily used by construction and forestry customers to finance the purchase of equipment parts, equipment rentals, and service work performed at John Deere construction and forestry dealers. John Deere Financial Revolving Plan is used primarily by retail customers of John Deere dealers to finance purchases of turf and utility equipment. See Note 4 to the Consolidated Financial Statements under "Revolving Charge Accounts Receivable."

The Company finances wholesale inventories of John Deere agriculture and turf and construction and forestry equipment. A large portion of the wholesale financing is provided by the Company to dealers from whom it also purchases agriculture and turf and construction and forestry retail notes. See Note 4 to the Consolidated Financial Statements under "Wholesale Receivables."

The Company generally requires that theft and physical damage insurance be carried on all goods leased or securing retail notes and wholesale receivables. In certain markets, the customer may, at the customer's own expense, have the Company or the seller of the goods purchase this insurance or obtain it from other sources. Insurance is not required for goods purchased under revolving charge accounts.

Receivables and Leases are eligible for acceptance if they conform to prescribed finance and lease plan terms. Guidelines relating to down payments and contract terms on retail notes and leases are described in Note 4 and Note 7 to the Consolidated Financial Statements.

In limited circumstances, Receivables and Leases may be accepted and acquired even though they do not conform in all respects to the established guidelines. The Company determines whether Receivables and Leases should be accepted and how they should be serviced. Acceptance of these Receivables and Leases is dependent on having one or more risk mitigation enhancements that may include the pledge of additional collateral as security, the assignment of specific earnings to the Company, or the acceptance of accelerated payment schedules. Officers of the Company are responsible for establishing policies and reviewing the performance of the Company in accepting and collecting Receivables and Leases. The Company normally makes all of its own routine collections, settlements, and repossessions on Receivables and Leases.

John Deere retail notes and wholesale receivables are generally supported by perfected security interests in goods financed under laws such as the Uniform Commercial Code (UCC), certain federal statutes, and state motor vehicle laws in the U.S. and by security in goods or other security under applicable laws in other countries and jurisdictions. UCC financing statements are also prepared and filed on leases; however, these filings for operating leases are made for informational purposes only.

Finance Rates on Retail Notes

As of October 28, 2018 and October 29, 2017, approximately 95 percent of the retail notes held by the Company bore a fixed finance rate. A portion of the finance income earned by the Company arises from reimbursements from John Deere in connection with financing the retail sales of John Deere equipment on which finance charges are waived or reduced by John Deere for a period from the date of sale to a specified subsequent date. See Note 4 to the Consolidated Financial Statements for additional information.

Average Original Term and Average Actual Life of Retail Notes and Leases

Due to prepayments (often from trade-ins and refinancing), the average actual life of retail notes and leases is considerably shorter than the average original term. The following table shows the average original term for retail notes and leases acquired and the average actual life for retail notes and leases liquidated (in months):

	Average Original Term		**Average Actual Life**	
	2018	**2017**	**2018**	**2017**
Retail notes:	56	56	41	40
New equipment:				
Agriculture and turf	56	56	39	38
Construction and forestry	48	48	38	36
Used equipment:				
Agriculture and turf	58	58	46	44
Construction and forestry	46	46	34	33
Financing leases	35	36	29	32
Equipment on operating leases	40	39	32	25

Maturities

The following table presents the contractual maturities of net Receivables and Leases owned by the Company at October 28, 2018 (in millions of dollars), and a summary of net Receivables and Leases owned by the Company at the end of the last five years (in millions of dollars):

	One year or less	One to five years		Over five years		Total				
		Fixed rate	Variable rate	Fixed rate	Variable rate	2018	2017	2016	2015	2014
Retail notes:										
Agriculture and turf	$ 5,187.0	$ 9,473.5	$ 259.3	$ 254.2	$ 5.2	$ 15,179.2	$ 14,642.9	$ 14,965.8	$ 16,194.9	$ 17,205.5
Construction and forestry	1,243.6	1,677.6	7.5	3.0		2,931.7	2,571.7	2,502.4	2,464.1	2,255.8
Total retail notes	$ 6,430.6	$ 11,151.1	$ 266.8	$ 257.2	$ 5.2	18,110.9	17,214.6	17,468.2	18,659.0	19,461.3
Revolving charge accounts						3,797.6	3,572.6	3,078.5	2,680.8	2,535.9
Wholesale receivables						7,967.6	6,894.3	6,562.5	7,185.5	7,919.1
Financing leases						770.6	714.2	605.3	567.1	589.6
Equipment on operating leases						5,102.5	4,718.3	4,396.2	3,609.8	2,590.3
Total Receivables and Leases						$ 35,749.2	$ 33,114.0	$ 32,110.7	$ 32,702.2	$ 33,096.2

Total net Receivables and Leases by geographic area are as follows (in millions of dollars):

	2018	2017	2016	2015	2014
U.S.	$ 31,087.7	$ 28,863.4	$ 28,640.7	$ 29,335.7	$ 29,107.5
Outside the U.S.	4,661.5	4,250.6	3,470.0	3,366.5	3,988.7
Total Receivables and Leases	$ 35,749.2	$ 33,114.0	$ 32,110.7	$ 32,702.2	$ 33,096.2

Receivables and Leases have significant concentrations of credit risk in the agriculture and turf sector and construction and forestry sector.

Delinquencies

Past due balances of Receivables still accruing finance income, which represent the total balance held (principal plus accrued interest) with any payment amounts 30 days or more past the contractual payment due date, are as follows (in millions of dollars):

	2018	2017	2016	2015	2014
U.S.	$ 424.6	$ 373.5	$ 376.2	$ 322.9	$ 230.5
Outside the U.S.	58.6	28.5	25.1	23.2	35.7
Total	$ 483.2	$ 402.0	$ 401.3	$ 346.1	$ 266.2

Total non-performing Receivables, which represent loans for which the Company has ceased accruing finance income, are as follows (in millions of dollars):

	2018	2017	2016	2015	2014
U.S.	$ 95.9	$ 85.2	$ 110.3	$ 60.3	$ 49.5
Outside the U.S.	46.1	22.6	13.9	26.2	21.7
Total	$ 142.0	$ 107.8	$ 124.2	$ 86.5	$ 71.2

See Note 5 to the Consolidated Financial Statements for the policy for placing Receivables on non-performing status.

Write-offs and Recoveries

Total Receivable write-offs and recoveries, by product, were as follows (in millions of dollars):

	2018	2017	2016	2015	2014
Allowance for credit losses, beginning of year	$ 113.8	$ 111.7	$ 109.8	$ 112.4	$ 111.4
Provision for credit losses	47.2	70.3	68.8	32.3	27.3
Write-offs:					
Retail notes:					
Agriculture and turf	(6.4)	(17.0)	(10.5)	(9.5)	(6.1)
Construction and forestry	(15.7)	(21.2)	(19.4)	(8.3)	(6.6)
Total retail notes	(22.1)	(38.2)	(29.9)	(17.8)	(12.7)
Revolving charge accounts	(54.1)	(52.2)	(54.3)	(36.2)	(24.6)
Wholesale receivables	(1.1)	(.2)	(4.1)	(.3)	(7.7)
Financing leases	(3.9)	(5.7)	(3.0)	(1.6)	(.5)
Operating loans					(.2)
Total write-offs	(81.2)	(96.3)	(91.3)	(55.9)	(45.7)
Recoveries:					
Retail notes:					
Agriculture and turf	4.7	5.8	4.3	4.7	3.3
Construction and forestry	1.7	2.0	1.5	1.8	2.2
Total retail notes	6.4	7.8	5.8	6.5	5.5
Revolving charge accounts	20.0	19.9	18.5	15.3	14.3
Wholesale receivables	.2		.1	.6	.1
Financing leases	.8	.3	.5	.2	.2
Operating loans					.1
Total recoveries	27.4	28.0	24.9	22.6	20.2
Total net write-offs	(53.8)	(68.3)	(66.4)	(33.3)	(25.5)
Translation adjustments	(.5)	.1	(.5)	(1.6)	(.8)
Allowance for credit losses, end of year	$ 106.7	$ 113.8	$ 111.7	$ 109.8	$ 112.4
Total net write-offs as a percentage of average Receivables	.18 %	.25 %	.23 %	.11 %	.09 %
Allowance as a percentage of total Receivables, end of year	.35 %	.40 %	.40 %	.38 %	.37 %

Total Receivable write-offs and recoveries from outside the U.S. were as follows (in millions of dollars):

	2018	2017	2016	2015	2014
Allowance for credit losses, beginning of year	$ 13.8	$ 10.7	$ 10.8	$ 11.2	$ 10.6
Provision for credit losses	4.3	5.2	7.1	4.4	3.9
Write-offs	(2.7)	(3.1)	(7.3)	(3.7)	(3.1)
Recoveries	1.5	.8	.6	.5	.6
Total net write-offs	(1.2)	(2.3)	(6.7)	(3.2)	(2.5)
Translation adjustments	(.5)	.2	(.5)	(1.6)	(.8)
Allowance for credit losses, end of year	$ 16.4	$ 13.8	$ 10.7	$ 10.8	$ 11.2
Total net write-offs as a percentage of average Receivables from outside the U.S.	.03 %	.06 %	.20 %	.09 %	.06 %
Allowance as a percentage of total Receivables from outside the U.S., end of year	.36 %	.33 %	.31 %	.33 %	.28 %

Allowance for Credit Losses

The total Receivable allowance for credit losses, by product, at October 28, 2018, October 29, 2017, October 30, 2016, November 1, 2015, and November 2, 2014, and the Receivable portfolio, by product, as a percent of total portfolio is presented below (in millions of dollars):

	2018		2017		2016		2015		2014	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Retail notes:										
Agriculture and turf	$ 20.3	49 %	$ 29.6	52 %	$ 29.5	54 %	$ 27.2	56 %	$ 29.6	57 %
Construction and forestry	31.3	10	26.1	9	26.8	9	26.1	8	26.5	7
Total retail notes	51.6	59	55.7	61	56.3	63	53.3	64	56.1	64
Revolving charge accounts	42.3	12	39.7	13	39.7	11	39.7	9	39.9	8
Wholesale receivables	8.0	26	9.9	24	7.2	24	8.1	25	7.6	26
Financing leases	4.8	3	8.5	2	8.5	2	8.7	2	8.8	2
Total	$ 106.7	100 %	$ 113.8	100 %	$ 111.7	100 %	$ 109.8	100 %	$ 112.4	100 %

The total Receivable allowance for credit losses, by geographic area, at October 28, 2018, October 29, 2017, October 30, 2016, November 1, 2015, and November 2, 2014, and the Receivable portfolio, by geographic area, as a percent of total portfolio is presented below (in millions of dollars):

	2018		2017		2016		2015		2014	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
U.S.	$ 90.3	85 %	$ 100.0	85 %	$ 101.0	88 %	$ 99.0	89 %	$ 101.2	87 %
Outside the U.S.	16.4	15	13.8	15	10.7	12	10.8	11	11.2	13
Total	$ 106.7	100 %	$ 113.8	100 %	$ 111.7	100 %	$ 109.8	100 %	$ 112.4	100 %

The allowance for credit losses is an estimate of the losses inherent in the Company's Receivable portfolio. The level of the allowance is based on many quantitative and qualitative factors, including historical net loss experience by product category, portfolio duration, delinquency trends, economic conditions in the Company's major markets and geographies, and credit risk quality. The Company has an established process to calculate a range of possible outcomes and determine the adequacy of the allowance. No single statistic or measurement determines the adequacy of the allowance. Historical Receivable recoveries and write-offs are considered as part of the loss experience by product category. The adequacy of the allowance is assessed quarterly. Different assumptions or changes in economic conditions would result in changes to the allowance for credit losses and the provision for credit losses.

The allowance is determined at an aggregate level by product category for all Receivables that are performing in accordance with payment terms and are not materially past due. The Company assigns loss factors to each aggregation and loss factors are applied to the applicable Receivable balance to determine the allowance level for each product category. The loss factors are determined based on quantitative and qualitative factors as described above.

The Company also reviews Receivables for impairment based on delinquencies and changes in cash flows or collateral. These Receivables consist of materially past due Receivables, customers that have provided bankruptcy notification, and other Receivables requiring significant collection efforts, including litigation. The Company identifies these Receivables during reviews of portfolio credit quality. The Company includes the impairment on non-performing Receivables as a separate component in the allowance unless it has already been recognized as a loss.

The total allowance reflects management's estimate of credit losses inherent in the Receivables portfolio at the balance sheet date. See further discussion of the allowance for credit losses in the Critical Accounting Policies.

Competition

The businesses in which the Company is engaged are highly competitive. The Company competes for customers with commercial banks and finance and leasing companies based upon its service, finance rates charged, and other finance terms. The proportion of John Deere equipment retail sales and leases financed by the Company is influenced by conditions prevailing in the agriculture and turf equipment and construction and forestry equipment industries, in the financial markets, and in business generally. The Company financed a significant portion of John Deere equipment retail sales and leases in many of the countries in which the Company operated during 2018 and 2017.

The Company emphasizes convenient service to customers and endeavors to offer terms desired in its specialized markets, such as seasonal schedules of repayment and rentals. The Company's retail note finance rates and lease rates are generally believed to be in the range offered by other sales finance and leasing companies, although not as low as those of some banks and other lenders and lessors.

Regulation

In a number of U.S. states, state law limits the maximum finance rate on receivables. The present state limitations have not, thus far, significantly limited variable-rate finance charges or the fixed-rate finance charges established by the Company. However, if interest rate levels should increase significantly, maximum state rates could affect the Company by preventing the variable rates on outstanding variable-rate retail notes from increasing above the maximum state rate and by limiting the fixed rates on new notes. In some states, the Company may be able to qualify new retail notes for a higher maximum rate limit by using retail installment sales contracts (rather than loan contracts) or by using fixed-rate rather than variable-rate contracts.

In addition to rate regulation, various U.S. state and federal laws and regulations apply to some Receivables and Leases, principally retail notes for goods sold for personal, family, or household use and John Deere Financial Revolving Plan, John Deere Financial Multi-Use Account, and PowerPlan ® accounts receivable. To date, these laws and regulations have not had a significant adverse effect on the Company.

The Thrift holds a federal thrift charter and is subject to regulation and examination by the OCC. The U.S. Federal Reserve Board has oversight of the Company, as the owner of the Thrift.

The manner in which the Company offers financing outside the U.S. is affected by a variety of country specific laws, regulations, and customs, including those governing property rights and debtor obligations, that are subject to change and that may introduce greater risk to the Company.

Item 1A. Risk Factors.

The Company is a subsidiary of JDFS, a wholly-owned finance holding subsidiary of Deere & Company. The results of operations of the Company are affected by its relationships with Deere & Company. See "Relationships of the Company with John Deere" on page 3 for additional information regarding the relationship between the Company and Deere & Company.

The following risks are considered the most significant to the Company's business based upon current knowledge, information, and assumptions. This discussion of risk factors should be considered closely in conjunction with "Management's Discussion and Analysis" beginning on page 17, including the risks and uncertainties described in the "Safe Harbor Statement" on pages 23-24, the Notes to Consolidated Financial Statements beginning on page 37, and the risk factors of Deere & Company included in Exhibit 99 to this Annual Report on Form 10-K and incorporated herein by reference. These risk factors and other forward-looking statements that relate to future events, expectations, trends, and operating periods involve certain factors that are subject to change, and important risks and uncertainties that could cause actual results to differ materially. Some of these risks and uncertainties could affect particular lines of business, while others could affect all of the Company's businesses. Although each risk is discussed separately, many are interrelated. The Company, except as required by law, undertakes no obligation to update or revise this risk factors discussion, whether as a result of new developments or otherwise. The risks described in this Annual Report on Form 10-K and the "Safe Harbor Statement" in this report are not the only risks faced by the Company.

The Company is subject to interest rate risks. Changes in interest rates can reduce demand for equipment, adversely affect interest margins, and limit the ability to access capital markets while increasing borrowing costs.

Rising interest rates could have a dampening effect on overall economic activity and/or the financial condition of the Company's customers, either or both of which could negatively affect customer demand for John Deere equipment and customers' ability to repay obligations to the Company. In addition, credit market dislocations could have an impact on funding costs which are very important to the Company because such costs affect the Company's ability to offer customers competitive financing rates. In addition, changing interest rates could have an adverse effect on the Company's net interest rate margin–the difference between the yield the Company earns on its assets and the interest rates the Company pays for funding, which could in turn affect the Company's net interest income and earnings. Actions by credit rating agencies, such as downgrades or negative changes to rating outlooks, can affect the availability and cost of funding for the Company and can increase the Company's cost of capital and hurt its competitive position.

International, national and regional trade laws, regulations and policies (particularly those related to or restricting global trade), and government farm programs and policies could significantly impair John Deere's profitability and growth prospects.

International, national, and regional laws, regulations, and policies directly or indirectly related to or restricting the import and export of John Deere's products, services, and technology, including protectionist policies in particular jurisdictions or for the benefit of favored industries or sectors, could harm John Deere's multinational business and subject John Deere to civil and criminal sanctions. John Deere's profitability and growth prospects are tied directly to the global marketplace. Restricted access to global markets impairs John Deere's ability to export goods and services from its various manufacturing locations around the world, and limits the ability to access raw materials and high quality parts and components at competitive prices on a timely basis. Trade restrictions, including potential limitations on withdrawal from or modification of existing trade agreements, negotiation of new trade agreements, and imposition of new (and retaliatory) tariffs against certain countries or covering certain products, could limit John Deere's ability to capitalize on current and future growth opportunities in international markets and impair John Deere's ability to expand the business by offering new technologies, products, and services. These trade restrictions, and changes in—or uncertainty surrounding—global trade policies may affect John Deere's competitive position. Furthermore, the ability to export agricultural and forestry commodities is critical to John Deere's agricultural and forestry customers. Policies impacting exchange rates and commodity prices or those limiting the export or import of commodities could have a material adverse effect on the international flow of agricultural and other commodities that may result in a corresponding negative effect on the demand for agricultural and forestry equipment in many areas of the world. John Deere's agricultural equipment sales could be especially harmed because farm income strongly influences sales of agricultural equipment around the world, including sales made pursuant to the United States-Mexico-Canada Agreement, which was agreed to on September 30, 2018 and which is designed to replace the North American Free Trade Agreement. Furthermore, trade restrictions could impede those in developing countries from achieving a higher standard of living, which could negatively impact John Deere's future growth opportunities arising from increasing global demand for food, fuel, and infrastructure. Additionally, changes in government farm programs and policies, including direct payments and other subsidies, can significantly influence demand for agricultural equipment. Furthermore, sanctions and export controls imposed by the U.S. and other governments restricting or prohibiting transactions with certain persons, including financial institutions, to certain countries, or involving certain products expose John Deere to potential criminal and civil sanctions. Embargoes and sanctions laws are changing rapidly for certain geographies, including with respect to Russia, Iran, and Venezuela. Although John Deere has a compliance program in place designed to reduce the likelihood of potential violations of import and export laws and sanctions, violations of these laws or sanctions could have an adverse effect on John Deere's reputation, business, results of operations and financial condition.

Changes in government banking, monetary, and fiscal policies could have a negative effect on the Company.

Policies of the U.S. and other governments regarding banking, monetary, and fiscal policies intended to promote or maintain liquidity, stabilize financial markets, and/or address local deficit or structural economic issues may not be effective and could have a material impact on the Company's customers and markets. The Company's operations and results could also be impacted by financial regulatory reform that could have an adverse effect on the Company and its customers by limiting their ability to enter into hedging transactions or to finance purchases of John Deere products. Government policies on spending can also affect John Deere, especially its construction and forestry business due to the impact of government spending on infrastructure development. The Dodd-Frank Wall Street Reform and Consumer Protection Act and its regulations impose, or may impose, additional reporting, stress testing, leverage, liquidity, capital requirements, and other supervisory and financial standards and restrictions that increase regulatory compliance costs for the Company and could adversely affect the Company's funding activities, liquidity, structure (including relationships with affiliates), operations, and performance. Moreover, the Company's and John Deere's operations, including those outside of the United States, may also be impacted by non-U.S. regulatory reforms being implemented to further regulate non-U.S. financial institutions and markets.

Changes in tax rates, tax legislation, or exposure to additional tax liabilities could have a negative effect on John Deere.

John Deere is subject to income taxes in the U.S. and numerous foreign jurisdictions. John Deere's domestic and international tax liabilities are dependent upon the location of earnings among these different jurisdictions. Tax rates in various jurisdictions may be subject to significant change. John Deere's effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. If John Deere's effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, John Deere's operating results, cash flows, and financial condition could be adversely affected.

Changing worldwide demand for food and different forms of bio-energy could have an effect on the price of farm commodities and consequently the demand for certain John Deere equipment and could also result in higher research and development costs related to changing machine fuel requirements.

Changing worldwide demand for farm outputs to meet the world's growing food and bio-energy demands, driven in part by government policies and a growing world population, are likely to result in fluctuating agricultural commodity prices, which directly affect sales of agricultural equipment. Lower farm commodity prices directly affect farm incomes, which could negatively affect sales of agricultural equipment. While higher commodity prices benefit John Deere's crop-producing agricultural equipment customers, higher commodity prices also could result in greater feed costs for livestock and poultry producers, which in turn may result in lower levels of equipment purchased by these customers. Furthermore, changing bio-fuel demands may cause farmers to change the types or quantities of the crops they raise, with corresponding changes in equipment demands. Finally, changes in governmental policies regulating bio-fuel utilization could affect demand for John Deere's diesel-fueled equipment and result in higher research and development costs related to equipment fuel standards.

As John Deere seeks to expand its business globally, growth opportunities may be impacted by greater political, economic, and social uncertainty and the continuing and accelerating globalization of businesses could significantly change the dynamics of John Deere's competition, customer base, and product offerings.

John Deere's efforts to grow its businesses depend to a large extent upon access to additional geographic markets, including, but not limited to, Brazil, China, India, and Russia, and its success in developing market share and operating profitably in such markets. In some cases, these countries have greater political and economic volatility, greater vulnerability to infrastructure and labor disruptions, and differing local customer product preferences and requirements than John Deere's other markets. Operating and seeking to expand business in a number of different regions and countries exposes the Company and John Deere to multiple and potentially conflicting cultural practices, business practices, and legal and regulatory requirements that are subject to change, including those related to tariffs and trade barriers, investments, property ownership rights, taxation, sanctions requirements, repatriation of earnings, and advanced technologies. Expanding business operations globally also increases exposure to currency fluctuations which can materially affect the Company's and John Deere's financial results. As these emerging geographic markets become more important to John Deere, its competitors are also seeking to expand their production capacities and sales in these same markets. While John Deere maintains a positive corporate image and its brands are widely recognized and valued in its traditional markets, the brands are less well known in some emerging markets which could impede John Deere's efforts to successfully compete in these markets. Although John Deere is taking measures to adapt to these changing circumstances, John Deere's reputation and/or business results could be negatively affected should these efforts prove unsuccessful.

John Deere is subject to extensive anti-corruption laws and regulations.

John Deere's global operations must comply with all applicable laws, which include the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and other anti-corruption laws. These anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. Although John Deere has a compliance program in place designed to reduce the likelihood of potential violations of such laws, violations of these laws could result in criminal and civil sanctions and have an adverse effect on John Deere's reputation, business, and results of operations and financial condition.

Negative economic conditions and outlook can materially weaken demand for John Deere's equipment and services, limit access to funding, and result in higher funding costs.

The demand for the Company's and John Deere's products and services can be significantly reduced in an economic environment characterized by high unemployment, cautious consumer spending, lower corporate earnings, U.S. budget issues, and lower business investment. Negative or uncertain economic conditions causing John Deere's customers to lack confidence in the general economic outlook can significantly reduce their likelihood of purchasing John Deere's equipment. Sustained negative economic conditions and outlook affect housing starts and other construction which dampens demand for certain construction equipment. John Deere's turf operations and its construction and forestry business are dependent on construction activity and general economic conditions. Decreases in construction activity and housing starts could have a material adverse effect on John Deere's results of operations. If negative economic conditions affect the overall farm economy, there could be a similar effect on John Deere's agricultural equipment sales. In addition, uncertain or negative outlook with respect to ongoing U.S. budget issues as well as general economic conditions and outlook can cause significant changes in market liquidity conditions. Such changes could impact access to funding and associated funding costs, which could reduce the Company's earnings and cash flows. Additionally, the Company's and John Deere's investment management activities could be adversely affected by changes in the equity and bond markets, which would negatively affect earnings.

In addition, demand for John Deere's products and services can be significantly reduced by concerns regarding the diverse economic and political circumstances of the individual countries in the eurozone, the debt burden of certain eurozone countries and their ability to meet future financial obligations, uncertainty related to the anticipated withdrawal of the United Kingdom from the European Union, the risk that one or more other European Union countries could come under increasing pressure to leave the European Union, or the long-term stability of the euro as a single common currency. Persistent disparity with respect to the widely varying economic conditions within the individual countries in the eurozone, and its implications for the euro as well as market perceptions concerning these and related issues, could adversely affect the value of the Company's and John Deere's euro-denominated assets and obligations, have an adverse effect on demand for John Deere's products and services in the eurozone, and have an adverse effect on financial markets in Europe and globally. More specifically, it could affect the ability of the Company's and John Deere's customers, suppliers, and lenders to finance their respective businesses, to access liquidity at acceptable financing costs, if at all, and the availability of supplies and materials and on the demand for John Deere's products.

The Company's consolidated financial results are reported in U.S. dollars while certain assets and other reported items are denominated in the currencies of other countries, creating currency exchange and translation risk.

The Company operates in many areas of the world, involving transactions denominated in a variety of currencies. The Company is subject to currency exchange risk to the extent that its costs are denominated in currencies other than those in which it earns revenues. Additionally, the reporting currency for the Company's consolidated financial statements is the U.S. dollar. Certain of the Company's assets, liabilities, expenses, and revenues are denominated in other countries' currencies. Those assets, liabilities, expenses, and revenues are translated into U.S. dollars at the applicable exchange rates to prepare the Company's consolidated financial statements. Therefore, increases or decreases in exchange rates between the U.S. dollar and those other currencies affect the value of those items as reflected in the Company's consolidated financial statements, even if their value remains unchanged in their original currency. Substantial fluctuations in the value of the U.S. dollar could have a significant impact on the Company's results.

Because the Company is a financing company, the Company's operations and financial results could be impacted materially should negative economic conditions affect the financial industry.

Negative economic conditions can have an adverse effect on the financial industry in which the Company operates. The Company provides financing for a significant portion of John Deere's sales in many of the countries in which the Company operates. The Company is exposed to the risk that customers and others will default on contractual obligations. The Company may experience credit losses that exceed its expectations and adversely affect its financial condition and results of operations. The Company's inability to access funds at cost-effective rates to support its financing activities could have a material adverse effect on the Company's business. The Company's liquidity and ongoing profitability depend largely on timely access to capital in order to meet future cash flow requirements, and to fund operations and costs associated with engaging in diversified funding activities. Additionally, negative market conditions could reduce customer confidence levels, resulting in declines in credit applications and increases in delinquencies and default rates, which could materially impact the Company's write-offs and provision for credit losses.

The Company's results could be adversely affected by a decrease in the value or higher than estimated returns of equipment on operating lease.

The Company estimates the end-of-lease term residual value at the inception of the operating leases based on a number of factors, including historical sales, end-of-lease term return experience, intended use of the equipment, and current economic conditions in John Deere's markets. Used equipment values may decrease as a result of any one or a combination of factors including market conditions, supply of and demand for used equipment, and technological advancements in new equipment. Lower residual value estimates could result in increasing operating lease depreciation and impairment losses, which would decrease the Company's earnings.

John Deere's business results depend largely on its ability to understand its customers' specific preferences and requirements, and to develop, manufacture, and market products that meet customer demand.

John Deere's ability to match new product offerings to diverse global customers' anticipated preferences for different types and sizes of equipment and various equipment features and functionality, at affordable prices, is critical to its success. This requires a thorough understanding of John Deere's existing and potential customers on a global basis, particularly in potentially high-growth and emerging markets, including Brazil, China, India, and Russia. Failure to deliver quality products that meet customer needs at competitive prices ahead of competitors could have a significant adverse effect on John Deere's business.

John Deere's business may be directly and indirectly affected by unfavorable weather conditions or natural disasters that reduce agricultural production and demand for agriculture and turf equipment.

Poor or unusual weather conditions, particularly during the planting and early growing season, can significantly affect the purchasing decisions of John Deere's customers, particularly the purchasers of agriculture and turf equipment. The timing and quantity of rainfall are two of the most important factors in agricultural production. Insufficient levels of rain prevent farmers from planting new crops and may cause growing crops to die or result in lower yields. Excessive rain or flooding can prevent planting from occurring at optimal times, and may cause crop loss through increased disease or mold growth. Temperatures outside normal ranges can also cause crop failure or decreased yields, and may also affect disease incidence. Temperature affects the rate of growth, crop maturity, and crop quality. Natural calamities such as regional floods, hurricanes or other storms, and droughts can have significant negative effects on agricultural and livestock production. The resulting negative impact on farm income can strongly affect demand for agricultural equipment. Sales of turf equipment, particularly during the important spring selling season, can be dramatically impacted by weather. Adverse weather conditions in a particular geographic region may adversely affect sales of some turf equipment. Drought conditions can adversely affect sales of certain mowing equipment and unusually rainy weather can similarly cause lower sales volumes.

Security breaches and other disruptions to the Company's information technology infrastructure could interfere with the Company's operations and could compromise the Company's and its customer's information, exposing the Company to liability that would cause the Company's business and reputation to suffer.

In the ordinary course of business, the Company relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including loan application and collection of payments from dealers or other purchasers of John Deere equipment. The Company uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes, and to comply with regulatory financial reporting, legal, and tax requirements. Additionally, the Company collects and stores sensitive data, including personally identifiable information of the Company's customers and employees, in data centers and on information technology networks. The secure operation of these information technology networks and the processing and maintenance of this information is critical to the Company's business operations and strategy. Despite security measures and business continuity plans, the Company's information technology networks and infrastructure may be vulnerable to damage, disruptions, or shutdowns due to attacks by cyber criminals or breaches due to employee error or malfeasance or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures, terrorist acts, natural disasters or other catastrophic events. The occurrence of any of these events could compromise the Company's networks, and the information stored there could be accessed, publicly disclosed, lost, or stolen. Any such access, disclosure, or other loss of information could result in legal claims or proceedings, liability, or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage the Company's reputation, which could adversely affect the Company's business, results of operations and financial condition. In addition, as security threats continue to evolve and increase in frequency and sophistication, the Company may need to invest additional resources to protect the security of its systems.

The Company is subject to governmental laws, regulations, and other legal obligations related to privacy and data protection.

The legislative and regulatory framework for privacy and data protection issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. The Company collects personally identifiable information (PII) and other data as an integral part of its business processes and activities. This data is subject to a variety of U.S. and international laws and regulations, including oversight by various regulatory or other governmental bodies. Many foreign countries and governmental bodies, including the European Union and other relevant jurisdictions where the Company conducts business, have laws and regulations concerning the collection and use of PII and other data obtained from their residents or by businesses operating within their jurisdiction that are more restrictive than those in the U.S. Additionally, in May 2016, the European Union adopted the General Data Protection Regulation that imposes more stringent data protection requirements and provides for greater penalties for noncompliance. Any inability, or perceived inability, to adequately address privacy and data protection concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations could result in additional cost and liability to the Company or company officials, damage our reputation, inhibit sales, and adversely affect our business.

The Company's ability to execute its strategy is dependent upon the ability to attract, train, and retain qualified personnel.

The Company's continued success depends, in part, on its ability to identify, attract, motivate, train, and retain qualified personnel in key functions. In particular, the Company is dependent on its ability to identify, attract, motivate, train, and retain qualified personnel with the requisite education, background, and industry experience. Failure to attract, train, and retain qualified personnel, whether as a result of an insufficient number of qualified applicants, difficulty in recruiting new personnel, or the allocation of inadequate resources to training, integration, and retention of qualified personnel, could impair the Company's ability to execute its business strategy and could adversely affect the Company's business. In addition, while the Company strives to reduce the impact of the departure of its employees, the Company's operations or ability to execute its business strategy may be impacted by the loss of personnel.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company's properties principally consist of office equipment; Company-owned office buildings in Johnston, Iowa and Madison, Wisconsin; and leased office space in Reno, Nevada; Miami, Florida; Rosario, Argentina; Brisbane, Australia; Santiago, Chile; Gloucester, England; Langar, England; Ormes, France; Bruchsal, Germany; Vignate, Italy; Luxembourg City, Luxembourg; Monterrey, Mexico; Poznan, Poland; Parla, Spain; and Schaffhausen, Switzerland.

Item 3. Legal Proceedings.

The Company is subject to various unresolved legal actions which arise in the normal course of its business, the most prevalent of which relate to retail credit matters. The Company believes the reasonably possible range of losses for these unresolved legal actions would not have a material effect on its consolidated financial statements.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

(a) All of Capital Corporation's common stock is owned by JDFS, a finance holding company that is wholly-owned by Deere & Company. In 2018 and 2017, Capital Corporation declared and paid cash dividends of $375.0 million and $285.0 million, respectively, to JDFS. In turn, JDFS declared and paid comparable dividends to Deere & Company.

(b) Not applicable.

(c) Not applicable.

Item 6. Selected Financial Data.

Omitted pursuant to instruction I(2).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations .

Results of Operations

Overview

Organization

The Company primarily generates revenues and cash by financing John Deere dealers' sales and leases of new and used agriculture and turf equipment and construction and forestry equipment. In addition, the Company also provides wholesale financing to dealers of the foregoing equipment and finances retail revolving charge accounts.

Trends and Economic Conditions

The Company's business is currently affected by the following key trends and economic conditions. The Company's business is closely related to John Deere's business. John Deere's agriculture and turf equipment sales increased 15 percent in 2018 and are forecast to increase about 3 percent for 2019. Industry agricultural machinery sales in the U.S. and Canada for 2019 are forecast to be about the same to 5 percent higher, compared to 2018. Industry sales in the EU28 member nations are forecast to be about the same in 2019, while South American industry sales are projected to be about the same to 5 percent higher from 2018 levels. Asian sales are forecast to be about the same or decrease slightly in 2019. Industry sales of turf and utility equipment in the U.S. and Canada are expected to be about the same to 5 percent higher for 2019. John Deere's construction and forestry sales increased 78 percent in 2018, with Wirtgen adding 53 percent for the year. The segment's sales are forecast to increase about 15 percent in 2019. The forecast includes a full year of Wirtgen sales compared to 10 months in 2018. Global forestry industry sales are expected to increase about 10 percent in 2019, compared to 2018. Net income attributable to the Company in 2019 is expected to be approximately $500 million.

Items of concern include the uncertainty of the effectiveness of governmental actions in respect to monetary and fiscal policies, the impact of sovereign debt, eurozone and Argentine issues, capital market disruptions, trade agreements, changes in demand and pricing for used equipment, and geopolitical events. Significant fluctuations in foreign currency exchange rates and volatility in the price of many commodities could also impact the Company's results.

John Deere concluded another successful year in which the performance benefited from a further improvement in market conditions and a favorable customer response to its products. At the same time, John Deere has continued to face cost pressures for raw materials, which are being addressed through pricing and cost management. John Deere's performance has allowed for significant investments in new products and services, especially those focused on precision technologies, and for providing shareholder returns through dividend payments and share repurchases. John Deere believes it remains well positioned to capitalize on the growth in the world's agricultural and construction equipment markets. In addition, John Deere is confident in the present direction and believes it is positioned to deliver improved operating performance and value to its customers and investors in the future.

2018 Compared with 2017

Net income attributable to the Company was $799.2 million in 2018, compared with $328.4 million in 2017. Results were higher primarily due to a tax benefit of $342.3 million related to tax reform, a higher average portfolio, lower provision for credit losses, and lower losses on lease residual values, partially offset by less-favorable financing spreads. The ratio of earnings to fixed charges was 1.78 to 1 for 2018, compared with 1.95 to 1 for 2017.

Revenues totaled $2,532.2 million in 2018, compared with $2,227.0 million in 2017. Finance income earned on retail notes totaled $765.9 million in 2018, compared with $693.6 million in 2017. The increase was primarily due to higher average financing rates and an increase in the average balance of retail notes. Revenues earned on revolving charge accounts amounted to $330.3 million in 2018, compared with $297.2 million earned during 2017. The increase was primarily due to an increase in the average balance of revolving charge accounts and higher average financing rates. Finance income earned on wholesale receivables totaled $447.0 million in 2018, compared with $363.8 million in 2017. The increase was primarily due an increase in the average balance of wholesale receivables and higher average financing rates. Lease revenues totaled $910.2 million in 2018, compared with $812.9 million in 2017. The increase was primarily due to an increase in the average balance of leases. Revenues earned from John Deere totaled $643.2 million in 2018, compared with $521.6 million in 2017. The increase was primarily the result of increased compensation paid by John Deere for waived or reduced finance charges on Receivables and Leases. Revenues earned from John Deere are included in the revenue amounts discussed above and in "Other income – net" on the statement of consolidated income.

Interest expense totaled $737.2 million in 2018, compared with $521.1 million in 2017. The increase was primarily due to higher average borrowing rates and higher average borrowings.

Administrative and operating expenses totaled $402.1 million in 2018, compared with $422.5 million in 2017. The decrease was primarily due to lower losses on lease residual values and voluntary employee-separation program expenses in 2017, partially offset by higher employment costs, including incentive compensation.

The provision for credit losses was $47.2 million in 2018, compared with $70.3 million in 2017. The decrease was primarily due to lower net write-offs of retail notes and financing leases. Total net write-offs of Receivables financed were $53.8 million during 2018, compared with $68.3 million in 2017. The provision for credit losses, as a percentage of the total average balance of Receivables financed, was .16 percent for 2018 and .26 percent for 2017.

Depreciation of equipment on operating leases was $686.8 million in 2018, compared with $648.0 million in 2017. The increase was primarily the result of higher average balances of equipment on operating leases.

Provision for income taxes was a benefit of $217.2 million in 2018, compared with an expense of $171.5 million in 2017. The decrease was primarily due to an income tax benefit related to tax reform and a lower U.S. income tax rate.

Receivables and Leases Acquired and Held

For the fiscal years ended October 28, 2018 and October 29, 2017, Receivable and Lease (excluding wholesale) acquisition volumes and balances held were as follows (in millions of dollars):

	Fiscal Year Volumes			Fiscal Year End Balances		
	2018	2017	% Change	2018	2017	% Change
Retail notes:						
Agriculture and turf	$ 7,664.8	$ 6,613.0	16 %	$ 15,179.2	$ 14,642.9	4 %
Construction and forestry	1,841.7	1,442.2	28	2,931.7	2,571.7	14
Total retail notes	9,506.5	8,055.2	18	18,110.9	17,214.6	5
Revolving charge accounts	6,418.1	6,146.1	4	3,797.6	3,572.6	6
Financing leases	458.7	435.9	5	770.6	714.2	8
Equipment on operating leases	2,208.8	2,114.5	4	5,102.5	4,718.3	8
Total Receivables and Leases (excluding wholesale)	$ 18,592.1	$ 16,751.7	11 %	$ 27,781.6	$ 26,219.7	6 %

Retail note volumes increased primarily due to increases in retail sales of John Deere equipment. Equipment on operating lease volumes increased primarily due to increased rentals of John Deere equipment.

Retail notes bearing fixed finance rates totaled approximately 95 percent of the total retail note portfolio at October 28, 2018 and October 29, 2017.

Total Receivable amounts 30 days or more past due and still accruing finance income were $483.2 million at October 28, 2018, compared with $402.0 million at October 29, 2017. These past due amounts represented 1.58 percent and 1.42 percent of the Receivables financed at October 28, 2018 and October 29, 2017, respectively. Total non-performing Receivables, which represent loans for which the Company has ceased accruing finance income, were $142.0 million and $107.8 million at October 28, 2018 and October 29, 2017, respectively. The total non-performing Receivables as a percentage of the ending Receivables balance was .46 percent and .38 percent at October 28, 2018 and October 29, 2017, respectively. See Note 5 to the Consolidated Financial Statements for additional past due information.

Deposits withheld from dealers and merchants, representing mainly the aggregate dealer retail note and lease withholding accounts from individual John Deere dealers to which losses from retail notes and leases originating from the respective dealers can be charged, amounted to $166.0 million at October 28, 2018, compared with $181.0 million at October 29, 2017. The Company’s allowance for credit losses on all Receivables financed at October 28, 2018 totaled $106.7 million and represented .35 percent of the total Receivables financed, compared with $113.8 million and .40 percent, respectively, at October 29, 2017. The allowance is subject to an ongoing evaluation based on many quantitative and qualitative factors, including historical net loss experience by product category, portfolio duration, delinquency trends, economic conditions in the Company’s major markets and geographies, and credit risk quality. The Company believes its allowance is sufficient to provide for losses inherent in its existing Receivable portfolio.

2017 Compared with 2016

Net income attributable to the Company was $328.4 million in 2017, compared with $341.6 million in 2016. Results were lower primarily due to less favorable financing spreads and higher selling, administrative, and general expenses, partially offset by lower losses on lease residual values. The ratio of earnings to fixed charges was 1.95 to 1 for 2017, compared with 2.22 to 1 for 2016.

Revenues totaled $2,227.0 million in 2017, compared with $2,094.2 million in 2016. Finance income earned on retail notes totaled $693.6 million in 2017, compared with $695.0 million in 2016. The decrease was primarily due to a decline in the average balance of retail notes, partially offset by higher average financing rates. Revenues earned on revolving charge accounts amounted to $297.2 million in 2017, compared with $260.7 million earned during 2016. The increase was primarily due to an increase in the average balance of revolving charge accounts, partially offset by lower average financing rates. Finance income earned on wholesale receivables totaled $363.8 million in 2017, compared with $354.5 million in 2016. The increase was primarily due to higher average financing rates, partially offset by a decline in the average balance of wholesale receivables. Lease revenues totaled $812.9 million in 2017, compared with $740.2 million in 2016. The increase was primarily due to an increase in the average balance of leases. Revenues earned from John Deere totaled $521.6 million in 2017, compared with $469.5 million in 2016. The increase was primarily the result of increased compensation paid by John Deere for waived or reduced finance charges on Receivables and Leases. Revenues earned from John Deere are included in the revenue amounts discussed above and in "Other income – net" on the statement of consolidated income.

Interest expense totaled $521.1 million in 2017, compared with $422.1 million in 2016. The increase was primarily due to higher average borrowing rates.

Administrative and operating expenses totaled $422.5 million in 2017, compared with $466.9 million in 2016. The decrease was primarily due to lower losses on lease residual values, partially offset by increased incentive compensation expenses and voluntary employee-separation program expenses.

The provision for credit losses was $70.3 million in 2017, compared with $68.8 million in 2016. The increase was primarily due to higher net write-offs of retail notes and financing leases. Total net write-offs of Receivables financed were $68.3 million during 2017, compared with $66.4 million in 2016. The provision for credit losses, as a percentage of the total average balance of Receivables financed, was .26 percent for 2017 and .24 percent for 2016.

Depreciation of equipment on operating leases was $648.0 million in 2017, compared with $564.5 million in 2016. The increase was primarily the result of higher average balances of equipment on operating leases and updated depreciation estimates.

Provision for income taxes was $171.5 million in 2017, compared with $180.3 million in 2016. The decrease was primarily due to lower pretax income.

Receivables and Leases Acquired and Held

For the fiscal years ended October 29, 2017 and October 30, 2016, Receivable and Lease (excluding wholesale) acquisition volumes and balances held were as follows (in millions of dollars):

	Fiscal Year Volumes			Fiscal Year End Balances		
	2017	2016	% Change	2017	2016	% Change
Retail notes:						
Agriculture and turf	$ 6,613.0	$ 6,225.6	6 %	$ 14,642.9	$ 14,965.8	(2)%
Construction and forestry	1,442.2	1,335.4	8	2,571.7	2,502.4	3
Total retail notes	8,055.2	7,561.0	7	17,214.6	17,468.2	(1)
Revolving charge accounts	6,146.1	5,687.9	8	3,572.6	3,078.5	16
Financing leases	435.9	331.3	32	714.2	605.3	18
Equipment on operating leases	2,114.5	2,470.8	(14)	4,718.3	4,396.2	7
Total Receivables and Leases (excluding wholesale)	$ 16,751.7	$ 16,051.0	4 %	$ 26,219.7	$ 25,548.2	3 %

Retail note volumes increased primarily due to increases in retail sales of John Deere equipment and increased market share. Equipment on operating lease volumes decreased primarily due to decreased rentals of John Deere equipment.

Retail notes bearing fixed finance rates totaled approximately 95 percent of the total retail note portfolio at October 29, 2017 and October 30, 2016.

Total Receivable amounts 30 days or more past due and still accruing finance income were $402.0 million at October 29, 2017, compared with $401.3 million at October 30, 2016. These past due amounts represented 1.42 percent and 1.45 percent of the Receivables financed at October 29, 2017 and October 30, 2016, respectively. Total non-performing Receivables, which represent loans for which the Company has ceased accruing finance income, were $107.8 million and $124.2 million at October 29, 2017 and October 30, 2016, respectively. The total non-performing Receivables as a percentage of the ending Receivables balance was .38 percent and .45 percent at October 29, 2017 and October 30, 2016, respectively. See Note 5 to the Consolidated Financial Statements for additional past due information.

Deposits withheld from dealers and merchants, representing mainly the aggregate dealer retail note and lease withholding accounts from individual John Deere dealers to which losses from retail notes and leases originating from the respective dealers can be charged, amounted to $181.0 million at October 29, 2017, compared with $205.9 million at October 30, 2016. The Company's allowance for credit losses on all Receivables financed at October 29, 2017 totaled $113.8 million and represented .40 percent of the total Receivables financed, compared with $111.7 million and .40 percent, respectively, at October 30, 2016. The allowance is subject to an ongoing evaluation based on many quantitative and qualitative factors, including historical net loss experience by product category, portfolio duration, delinquency trends, economic conditions in the Company's major markets and geographies, and credit risk quality. The Company believes its allowance is sufficient to provide for losses inherent in its existing Receivable portfolio.

Capital Resources and Liquidity

The cash provided by operating activities was used primarily to fund Receivables and Leases. Cash provided by operating activities was $1,189.0 million in 2018. Cash provided by financing activities totaled $2,046.0 million, resulting primarily from a net increase in total external borrowings of $1,617.1 million and an increase in payables to John Deere of $832.5 million, partially offset by dividends paid of $375.0 million. Cash used for investing activities totaled $3,663.5 million in 2018, primarily due to the cost of Receivables acquired (excluding wholesale) exceeding the collections of Receivables (excluding wholesale) by $1,350.5 million, an increase in wholesale receivables of $1,132.1 million, and the cost of equipment on operating leases acquired exceeding the proceeds from sales of equipment on operating leases by $1,118.5 million. Cash and cash equivalents decreased $447.1 million during 2018.

Over the last three years, operating activities have provided $4,083.9 million in cash. In addition, an increase in total borrowings of $2,500.5 million provided cash inflows. These amounts have been used mainly to fund Receivable and Lease acquisitions, which exceeded collections of Receivables and proceeds from sale of equipment on operating leases by $5,677.3 million and to pay $1,145.0 million in dividends. Cash and cash equivalents decreased $555.3 million over the three-year period.

The Company relies on its ability to raise substantial amounts of funds to finance its Receivable and Lease portfolios. The Company has access to most global markets at reasonable costs and expects to have sufficient sources of global funding and liquidity to meet its funding needs. The Company's ability to meet its debt obligations is supported in a number of ways. The assets of the Company are self-liquidating in nature. A solid equity position is available to absorb unusual losses on these assets and all commercial paper is backed by unsecured, committed borrowing lines from various banks. Liquidity is also provided by the Company's ability to securitize these assets and through the issuance of term debt. Additionally, liquidity may be provided through loans from John Deere. The Company's commercial paper outstanding at October 28, 2018 and October 29, 2017 was approximately $1,987.3 million and $1,993.2 million, respectively, while the total cash and cash equivalents position was $608.4 million and $1,055.5 million, respectively. The amount of cash and cash equivalents held by foreign subsidiaries was approximately $108.3 million and $150.0 million at October 28, 2018 and October 29, 2017, respectively.

Capital Corporation has a revolving credit agreement to utilize bank conduit facilities to securitize retail notes (see Note 6). At October 28, 2018, this facility had a total capacity, or "financing limit," of up to $3,500.0 million of secured financings at any time. The facility was renewed in November 2018 with a capacity of $3,500.0 million. After a two-year revolving period, unless the banks and Capital Corporation agree to renew, Capital Corporation would liquidate the secured borrowings over time as payments on the retail notes are collected. At October 28, 2018, $1,364.3 million of short-term securitization borrowings was outstanding under the agreement.

During 2018, the Company issued $6,818.0 million and retired $5,055.9 million of long-term borrowings, which were primarily medium-term notes. During 2018, the Company also issued $2,600.6 million and retired $2,837.6 million of retail note securitization borrowings and maintained an average commercial paper balance of $1,915.7 million. At October 28, 2018, the Company's funding profile included $2,112.9 million of commercial paper and other notes payable, $3,881.7 million of securitization borrowings, $1,376.8 million of intercompany loans from John Deere, $24,019.8 million of unsecured term debt, and $4,070.0 million of equity capital. The Company's funding profile may be altered to reflect such factors as relative costs of funding sources, assets available for securitizations, and capital market accessibility.

Total interest-bearing indebtedness amounted to $31,391.2 million at October 28, 2018, compared with $29,314.4 million at October 29, 2017. Total short-term indebtedness amounted to $11,959.0 million at October 28, 2018, compared with $11,780.0 million at October 29, 2017. Total long-term indebtedness amounted to $19,432.2 million at October 28, 2018, compared with $17,534.4 million at October 29, 2017. The ratio of total interest-bearing debt, including securitization indebtedness, to stockholder's equity was 7.7 to 1 and 8.0 to 1 at October 28, 2018 and October 29, 2017, respectively.

Stockholder's equity was $4,070.0 million at October 28, 2018, compared with $3,657.2 million at October 29, 2017. The increase in 2018 was primarily due to net income attributable to the Company of $799.2 million, partially offset by dividend payments of $375.0 million and a change in the cumulative translation adjustment of $20.7 million.

Capital Corporation declared and paid cash dividends to JDFS of $375.0 million in 2018 and $285.0 million in 2017. In turn, JDFS paid comparable dividends to Deere & Company.

Lines of Credit

The Company has access to bank lines of credit with various banks throughout the world. Some of the lines are available to both the Company and Deere & Company. Worldwide lines of credit totaled $7,625.6 million at October 28, 2018, $3,723.7 million of which were unused. For the purpose of computing unused credit lines, commercial paper and short-term bank borrowings, excluding secured borrowings and the current portion of long-term borrowings, of the Company and John Deere were primarily considered to constitute utilization. Included in the total credit lines at October 28, 2018 were 364-day credit facility agreements of $1,750.0 million, expiring in April 2019, and $750.0 million, expiring in October 2019. In addition, total credit lines included long-term credit facility agreements of $2,500.0 million, expiring in April 2021, and $2,500.0 million, expiring in April 2022. These credit agreements require the Company to maintain its consolidated ratio of earnings to fixed charges at not less than 1.05 to 1 for each fiscal quarter and its ratio of senior debt, excluding securitization indebtedness, to capital base (total subordinated debt and stockholder's equity excluding accumulated other comprehensive income (loss)) at not more than 11 to 1 at the end of any fiscal quarter. All of these requirements of the credit agreements have been met during the periods included in the consolidated financial statements.

Debt Ratings

The Company's ability to obtain funding is affected by its debt ratings, which are closely related to the outlook for and the financial condition of John Deere, and the nature and availability of support facilities, such as its lines of credit and the support agreement with Deere & Company.

To access public debt capital markets, the Company relies on credit rating agencies to assign short-term and long-term credit ratings to the Company's securities as an indicator of credit quality for fixed income investors. A credit rating agency may change or withdraw Company ratings based on its assessment of the Company's current and future ability to meet interest and principal repayment obligations. Each agency's rating should be evaluated independently of any other rating. Lower credit ratings generally result in higher borrowing costs, including costs of derivative transactions, and reduced access to debt capital markets.

The senior long-term and short-term debt ratings and outlook currently assigned to unsecured Company debt securities by the rating agencies engaged by the Company are the same as those for John Deere. Those ratings are as follows:

	Senior Long-Term	Short-Term	Outlook
Fitch Ratings	A	F1	Stable
Moody's Investors Service, Inc.	A2	Prime-1	Stable
Standard & Poor's	A	A-1	Stable

Safe Harbor Statement

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements under "Overview," "Outlook for John Deere," and other forward-looking statements herein that relate to future events, expectations, and trends involve factors that are subject to change, and risks and uncertainties that could cause actual results to differ materially.

Factors that could materially affect the Company's operations, access to capital, expenses, and results include changes in, uncertainty surrounding, and the impact of governmental trade, banking, monetary, and fiscal policies, including financial regulatory reform and its effects on the consumer finance industry, derivatives, funding costs, and other areas. Actions by central banks, financial, and securities regulators may affect the costs and expenses of financing the Company and the financing rates it is able to offer. The Company's business is affected by general economic conditions in the global markets in which the Company operates because deteriorating economic conditions and political instability can result in decreased customer confidence, lower demand for equipment, higher credit losses, and greater currency risk. The Company's business is also affected by actions of banks, financing and leasing companies, and other lenders that compete with the Company for customers; capital market disruptions; significant changes in capital market liquidity and associated funding costs; interest rates and foreign currency exchange rates and their volatility; changes to and compliance with privacy regulations; changes in weather patterns; the political and social stability of the global markets in which the Company operates; the effects of, or response to, terrorism and security threats; wars and other conflicts; natural disasters; and the spread of major epidemics.

Significant changes in market liquidity conditions, changes in the Company's credit ratings, and any failure to comply with financial covenants in credit agreements could impact access to funding and funding costs, which could reduce the Company's earnings and cash flows. Financial market conditions could also negatively impact customer access to capital for purchases of John Deere's products and customer confidence and purchase decisions, borrowing and repayment practices, and the number and size of customer loan delinquencies and defaults. A debt crisis, in Europe or elsewhere, could negatively impact currencies, global financial markets, social and political stability, funding sources and costs, asset and obligation values, customers, and Company operations and results. Security breaches, cybersecurity attacks, technology failures, and other disruptions to the Company's information technology infrastructure also could materially affect results. The Company's operations could be impaired by changes in the equity, bond, and other financial markets, which would negatively affect earnings.

The anticipated withdrawal of the United Kingdom from the European Union and the perceptions as to the impact of the withdrawal may adversely affect business activity, political stability, and economic conditions in the United Kingdom, the European Union, and elsewhere. The economic conditions and outlook could be further adversely affected by (i) the uncertainty concerning the timing and terms of the exit, (ii) new or modified trading arrangements between the United Kingdom and other countries, (iii) the risk that one or more other European Union countries could come under increasing pressure to leave the European Union, or (iv) the risk that the euro as the single currency of the Eurozone could cease to exist. Any of these developments, or the perception that any of these developments are likely to occur, could affect economic growth or business activity in the United Kingdom or the European Union, and could result in the relocation of businesses, cause business interruptions, lead to economic recession or depression, and impact the stability of the financial markets, availability of credit, currency exchange rates, interest rates, financial institutions, and political, financial, and monetary systems. Any of these developments could affect our businesses, liquidity, results of operations, and financial position.

The liquidity and ongoing profitability of the Company depend largely on timely access to capital in order to meet future cash flow requirements and to fund operations, costs, and purchases of John Deere's products. If general economic conditions deteriorate or capital markets become more volatile, funding could be unavailable or insufficient. Additionally, customer confidence levels may result in declines in credit applications and increases in delinquencies and default rates, which could materially impact the Company's write-offs and provision for credit losses.

In addition, the Company's business is closely related to John Deere's business. Further information, including factors that could materially affect the Company's and John Deere's financial results, is included in the most recent Deere & Company Form 10-K (including, but not limited to, the factors discussed in Item 1A. Risk Factors of the Form 10-K) and other Deere & Company and Capital Corporation quarterly and other filings with the SEC.

Off-Balance Sheet Arrangements

The Company had other miscellaneous contingencies at October 28, 2018 that were not material and for which it believes the probability for payment is substantially remote. The Company had no accrued liability at October 28, 2018 related to these contingencies.

Aggregate Contractual Obligations

The payment schedule for the Company's contractual obligations at October 28, 2018 in millions of dollars is as follows:

	Total	Less than 1 year	2 & 3 years	4 & 5 years	More than 5 years
On-balance-sheet					
Total debt*	$ 31,815.8 **	$ 10,212.3	$ 11,617.3	$ 6,260.6	$ 3,725.6
Interest relating to debt***	2,636.1	709.8	1,076.3	534.1	315.9
Accounts payable	209.4	209.4			
Deposits withheld from dealers and merchants	166.0	66.7	74.1	23.6	1.6
Off-balance-sheet					
Purchase obligations	16.6	3.4	4.2	4.2	4.8
Operating leases	5.9	1.9	2.7	1.3	
Total	$ 34,849.8	$ 11,203.5	$ 12,774.6	$ 6,823.8	$ 4,047.9

* Principal payments.

** Payments related to securitization borrowings of $3,886.3 million classified as short-term on the balance sheet related to the securitization of retail notes are included in this table based on the expected payment schedule (see Note 9).

*** Includes projected payments related to interest rate swaps.

The previous table does not include unrecognized tax benefit liabilities of approximately $36.3 million at October 28, 2018 since the timing of future payments is not reasonably estimable at this time (see Note 16). It also does not include unused commitments to extend credit to customers and John Deere dealers as discussed in Note 19 to the Consolidated Financial Statements. For additional information regarding short-term borrowings, long-term borrowings, and lease obligations, see Notes 9, 10, and 11, respectively, to the Consolidated Financial Statements.

Critical Accounting Policies

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses. Changes in these estimates and assumptions could have a significant effect on the financial statements. The accounting policies below are those management believes are the most critical to the preparation of the Company's financial statements and require the most difficult, subjective, or complex judgments. The Company's other accounting policies are described in the Notes to the Consolidated Financial Statements.

Allowance for Credit Losses

The allowance for credit losses represents an estimate of the losses inherent in the Company's Receivable portfolio. The level of the allowance is based on many quantitative and qualitative factors, including historical net loss experience by product category, portfolio duration, delinquency trends, economic conditions in the Company's major markets and geographies, and credit risk quality. The Company has an established process to calculate a range of possible outcomes and determine the adequacy of the allowance. The adequacy of the allowance is assessed quarterly. Different assumptions or changes in economic conditions would result in changes to the allowance for credit losses and the provision for credit losses.

The total allowance for credit losses at October 28, 2018, October 29, 2017, and October 30, 2016 was $106.7 million, $113.8 million, and $111.7 million, respectively. The allowance decreased in 2018 compared to 2017 due primarily to decreases in loss experience, and increased in 2017 compared to 2016 due primarily to growth in the receivable portfolio.

The assumptions used in evaluating the Company's exposure to credit losses involve estimates and significant judgment. The historical loss experience on the Receivable portfolios represents one factor used in determining the allowance for credit losses. Compared to the average loss experience over the last five fiscal years, this percent has varied by an average of approximately plus or minus .06 percent. Holding other factors constant, if this estimated loss experience on the Receivable portfolio were to increase or decrease .06 percent, the allowance for credit losses at October 28, 2018 would increase or decrease by approximately $18 million.

Operating Lease Residual Values

The carrying value of the equipment on operating leases is affected by the estimated fair values of the equipment at the end of the lease (residual values). Upon termination of the lease, the equipment is either purchased by the lessee or sold to a third party, in which case the Company may record a gain or a loss for the difference between the estimated residual value and the sale price. The residual values are dependent on current economic conditions and are reviewed when events or circumstances necessitate an evaluation. Changes in residual value assumptions would affect the amount of depreciation expense and the amount of investment in equipment on operating leases.

The total operating lease residual values at October 28, 2018, October 29, 2017, and October 30, 2016 were $3,740.9 million, $3,471.9 million, and $3,353.1 million, respectively. The changes in 2018 and 2017 were due primarily to the increasing levels of operating leases.

Estimates used in determining end of lease market values for equipment on operating leases significantly impact the amount and timing of depreciation expense. Hypothetically, if future market values for this equipment were to decrease 10 percent from the Company's present estimates, the total impact would be to increase the Company's annual depreciation for equipment on operating leases by approximately $140.3 million.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Financial Instrument Risk Information

The Company is naturally exposed to various interest rate and foreign currency risks. As a result, the Company enters into derivative transactions to manage certain of these exposures that arise in the normal course of business and not for the purpose of creating speculative positions or trading. The Company manages the relationships of the types and amounts of its funding sources to its Receivable and Lease portfolios in an effort to diminish risk due to interest rate and foreign currency fluctuations, while responding to favorable financing opportunities. Accordingly, from time to time, the Company enters into interest rate swap agreements to manage its interest rate exposure. The Company also has foreign currency exposures at some of its foreign and domestic operations related to financing in currencies other than the functional currencies. The Company has entered into agreements related to the management of these foreign currency transaction risks.

Interest Rate Risk

Quarterly, the Company uses a combination of cash flow models to assess the sensitivity of its financial instruments with interest rate exposure to changes in market interest rates. The models calculate the effect of adjusting interest rates as follows. Cash flows for Receivables are discounted at the current prevailing rate for each Receivable portfolio. Cash flows for unsecured borrowings are discounted at the applicable benchmark yield curve plus market credit spreads for similarly rated borrowers. Cash flows for securitized borrowings are discounted at the swap yield curve plus a market credit spread for similarly rated borrowers. Cash flows for interest rate swaps are projected and discounted using forward rates from the swap yield curve at the repricing dates. The net loss in these financial instruments' fair values, which would be caused by increasing the interest rates by 10 percent from the market rates at October 28, 2018 and October 29, 2017, would have been approximately $68.8 million and $83.0 million, respectively.

Foreign Currency Risk

The Company's policy is to hedge the foreign currency risk if the currency of the borrowings does not match the currency of the Receivable portfolio. As a result, a hypothetical 10 percent adverse change in the value of the U.S. dollar relative to all other foreign currencies would not have a material effect on the Company's cash flows.

Item 8. Financial Statements and Supplementary Data.

See accompanying table of contents of financial statements on page 30.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The Company's principal executive officer and its principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) were effective as of October 28, 2018, based on the evaluation of these controls and procedures required by Rule 13a-15(b) or 15d-15(b) of the Exchange Act. During the fourth quarter, there were no changes that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of October 28, 2018, using the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes that, as of October 28, 2018, the Company's internal control over financial reporting was effective.

This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

Omitted pursuant to instruction I(2).

Item 11. Executive Compensation.

Omitted pursuant to instruction I(2).

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Omitted pursuant to instruction I(2).

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Omitted pursuant to instruction I(2).

Item 14. Principal Accountant Fees and Services.

For the years ended October 28, 2018 and October 29, 2017, professional services were performed by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively called Deloitte & Touche).

Audit Fees

The aggregate fees billed include amounts for the audit of the Company's annual financial statements, the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q, including services related thereto such as comfort letters, statutory audits, attest services, consents, and assistance with and review of documents filed with the SEC and other regulatory bodies. Audit fees for the fiscal years ended October 28, 2018 and October 29, 2017, were $3.3 million and $3.2 million, respectively.

Audit-Related Fees

During the last two fiscal years, Deloitte & Touche has provided the Company with assurance and related services that are reasonably related to the performance of the audit of the Company's financial statements. The aggregate fees billed for such audit-related services for the fiscal years ended October 28, 2018 and October 29, 2017 were $.2 million in both years. These services included various attest services.

Tax Fees

There were no aggregate fees billed for professional services provided by Deloitte & Touche in connection with tax advice and tax planning services for the fiscal years ended October 28, 2018 and October 29, 2017.

All Other Fees

There were no aggregate fees billed by Deloitte & Touche for services not included above for the fiscal years ended October 28, 2018 and October 29, 2017.

Pre-approval of Services by the Independent Registered Public Accounting Firm

As a wholly-owned subsidiary of Deere & Company, audit and non-audit services provided by the Company's independent registered public accounting firm are subject to Deere & Company's Audit Review Committee pre-approval policies and procedures as described in the Deere & Company 2018 proxy statement. During the fiscal year ended October 28, 2018, all services provided by the independent registered public accounting firm were pre-approved by Deere & Company's Audit Review Committee in accordance with such policy.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(1) Financial Statements

See the table of contents to financial statements on page 30.

(2) Financial Statement Schedules

None.

(3) Exhibits

See the index to exhibits on page 73.

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Schedules Omitted

The following schedules are omitted because of the absence of conditions under which they are required or because the required information is included in the Notes to the Consolidated Financial Statements:

I, II, III, IV, and V.

REPOR T OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of John Deere Capital Corporation:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of John Deere Capital Corporation and subsidiaries (the "Company") as of October 28, 2018 and October 29, 2017, and the related statements of consolidated income, consolidated comprehensive income, changes in consolidated stockholder's equity, and consolidated cash flows for each of the three years ended October 28, 2018, October 29, 2017 and October 30, 2016, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 28, 2018 and October 29, 2017, and the results of its operations and its cash flows for each of the three years ended October 28, 2018, October 29, 2017 and October 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP
Chicago, Illinois

December 17, 2018

We have served as the Company's auditor since 1959.

John Deere Capital Corporation and Subsidiaries
Statement of Consolidated Income
For the Years Ended October 28, 2018, October 29, 2017, and October 30, 2016
(in millions)

	2018	2017	2016
Revenues			
Finance income earned on retail notes	$ 765.9	$ 693.6	$ 695.0
Revolving charge account income	330.3	297.2	260.7
Finance income earned on wholesale receivables	447.0	363.8	354.5
Lease revenues	910.2	812.9	740.2
Other income – net	78.8	59.5	43.8
Total revenues	2,532.2	2,227.0	2,094.2
Expenses			
Interest expense	737.2	521.1	422.1
Operating expenses:			
Administrative and operating expenses	402.1	422.5	466.9
Fees paid to John Deere	79.0	66.3	51.7
Provision for credit losses	47.2	70.3	68.8
Depreciation of equipment on operating leases	686.8	648.0	564.5
Total operating expenses	1,215.1	1,207.1	1,151.9
Total expenses	1,952.3	1,728.2	1,574.0
Income of consolidated group before income taxes	579.9	498.8	520.2
Provision (credit) for income taxes	(217.2)	171.5	180.3
Income of consolidated group	797.1	327.3	339.9
Equity in income of unconsolidated affiliate	1.9	1.2	1.6
Net income	799.0	328.5	341.5
Less: Net income (loss) attributable to noncontrolling interests	(.2)	.1	(.1)
Net income attributable to the Company	$ 799.2	$ 328.4	$ 341.6

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

John Deere Capital Corporation and Subsidiaries
Statement of Consolidated Comprehensive Income
For the Years Ended October 28, 2018, October 29, 2017, and October 30, 2016
(in millions)

	2018	2017	2016
Net income	$ 799.0	$ 328.5	$ 341.5
Other comprehensive income (loss), net of income taxes			
Cumulative translation adjustment	(20.7)	24.1	(23.7)
Unrealized gain on derivatives	9.1	3.9	3.0
Other comprehensive income (loss), net of income taxes	(11.6)	28.0	(20.7)
Comprehensive income of consolidated group	787.4	356.5	320.8
Less: Comprehensive income (loss) attributable to noncontrolling interests	(.2)	.1	(.1)
Comprehensive income attributable to the Company	$ 787.6	$ 356.4	$ 320.9

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

John Deere Capital Corporation and Subsidiaries
Consolidated Balance Sheet
As of October 28, 2018 and October 29, 2017
(in millions)

	2018	2017
Assets		
Cash and cash equivalents	$ 608.4	$ 1,055.5
Receivables:		
Retail notes	14,156.0	13,042.3
Retail notes securitized	3,954.9	4,172.3
Revolving charge accounts	3,797.6	3,572.6
Wholesale receivables	7,967.6	6,894.3
Financing leases	770.6	714.2
Total receivables	30,646.7	28,395.7
Allowance for credit losses	(106.7)	(113.8)
Total receivables – net	30,540.0	28,281.9
Other receivables	532.0	89.1
Receivables from John Deere	59.3	91.0
Equipment on operating leases – net	5,102.5	4,718.3
Notes receivable from John Deere	195.4	156.7
Investment in unconsolidated affiliate	15.2	13.8
Deferred income taxes	36.8	41.0
Other assets	575.9	555.5
Total Assets	$ 37,665.5	$ 35,002.8
Liabilities and Stockholder's Equity		
Short-term borrowings:		
Commercial paper and other notes payable	$ 2,112.9	$ 2,051.2
Securitization borrowings	3,881.7	4,118.7
John Deere	1,376.8	553.2
Current maturities of long-term borrowings	4,587.6	5,056.9
Total short-term borrowings	11,959.0	11,780.0
Other payables to John Deere	342.5	126.5
Accounts payable and accrued expenses	871.6	902.1
Deposits withheld from dealers and merchants	166.0	181.0
Deferred income taxes	824.2	821.6
Long-term borrowings	19,432.2	17,534.4
Total liabilities	33,595.5	31,345.6
Commitments and contingencies (Note 19)		
Stockholder's equity:		
Common stock, without par value (issued and outstanding – 2,500 shares owned by John Deere Financial Services, Inc.)	1,482.8	1,482.8
Retained earnings	2,652.4	2,229.7
Accumulated other comprehensive income (loss)	(65.9)	(55.8)
Total Company stockholder's equity	4,069.3	3,656.7
Noncontrolling interests	.7	.5
Total stockholder's equity	4,070.0	3,657.2
Total Liabilities and Stockholder's Equity	$ 37,665.5	$ 35,002.8

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

John Deere Capital Corporation and Subsidiaries
Statement of Consolidated Cash Flows
For the Years Ended October 28, 2018, October 29, 2017, and October 30, 2016
(in millions)

	2018	2017	2016
Cash Flows from Operating Activities:			
Net income	$ 799.0	$ 328.5	$ 341.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	47.2	70.3	68.8
Provision for depreciation and amortization	709.7	670.0	577.7
Provision for deferred income taxes	3.7	92.8	277.8
Impairment charges			59.7
Undistributed earnings of unconsolidated affiliate	(1.8)	(1.1)	(1.5)
Change in accounts payable and accrued expenses	63.7	58.6	13.2
Change in accrued income taxes payable/receivable	(496.3)	33.2	(13.1)
Other	63.8	156.4	162.1
Net cash provided by operating activities	1,189.0	1,408.7	1,486.2
Cash Flows from Investing Activities:			
Cost of receivables acquired (excluding wholesale)	(16,435.7)	(14,644.7)	(13,523.7)
Collections of receivables (excluding wholesale)	15,085.2	14,176.8	14,220.1
Decrease (increase) in wholesale receivables – net	(1,132.1)	(273.0)	591.2
Cost of equipment on operating leases acquired	(2,204.8)	(2,099.4)	(2,497.9)
Proceeds from sales of equipment on operating leases	1,086.3	1,073.7	900.7
Cost of notes receivable with John Deere	(58.3)	(160.3)	
Collections of notes receivable with John Deere	8.5	8.1	
Change in restricted cash	22.5	18.0	(10.0)
Other	(35.1)	(41.2)	28.6
Net cash used for investing activities	(3,663.5)	(1,942.0)	(291.0)
Cash Flows from Financing Activities:			
Increase (decrease) in commercial paper and other notes payable – net	92.0	1,663.5	(1,979.7)
Increase (decrease) in securitization borrowings – net	(237.0)	(879.6)	412.3
Increase (decrease) in payable to John Deere – net	832.5	(1,727.7)	1,161.8
Proceeds from issuance of long-term borrowings	6,818.0	6,264.0	4,096.8
Payments of long-term borrowings	(5,055.9)	(4,508.8)	(4,451.7)
Dividends paid	(375.0)	(285.0)	(485.0)
Capital investment from John Deere	.4		.1
Debt issuance costs	(29.0)	(30.5)	(26.0)
Net cash provided by (used for) financing activities	2,046.0	495.9	(1,271.4)
Effect of exchange rate changes on cash and cash equivalents	(18.6)	3.3	2.1
Net decrease in cash and cash equivalents	(447.1)	(34.1)	(74.1)
Cash and cash equivalents at the beginning of year	1,055.5	1,089.6	1,163.7
Cash and cash equivalents at the end of year	$ 608.4	$ 1,055.5	$ 1,089.6

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

John Deere Capital Corporation and Subsidiaries
Statement of Changes in Consolidated Stockholder's Equity
For the Years Ended October 30, 2016, October 29, 2017, and October 28, 2018
(in millions)

		Company Stockholder			
	Total Stockholder's Equity	**Common Stock**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Non-controlling Interests**
Balance November 1, 2015	$ 3,749.8	$ 1,482.8	$ 2,329.7	$ (63.1)	$ .4
Net income (loss)	341.5		341.6		(.1)
Other comprehensive loss	(20.7)			(20.7)	
Dividends declared	(485.0)		(485.0)		
Capital investment	.1				.1
Balance October 30, 2016	3,585.7	1,482.8	2,186.3	(83.8)	.4
Net income	328.5		328.4		.1
Other comprehensive income	28.0			28.0	
Dividends declared	(285.0)		(285.0)		
Balance October 29, 2017	3,657.2	1,482.8	2,229.7	(55.8)	.5
Net income (loss)	799.0		799.2		(.2)
Other comprehensive loss	(11.6)			(11.6)	
Dividends declared	(375.0)		(375.0)		
Capital investment	.4				.4
ASU No. 2018-02 adoption *			(1.5)	1.5	
Balance October 28, 2018	$ 4,070.0	$ 1,482.8	$ 2,652.4	$ (65.9)	$ .7

* See Note 3.

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

Note 1. Organization and Consolidation

Corporate Organization

John Deere Capital Corporation (Capital Corporation) and its subsidiaries are collectively called the Company. John Deere Financial Services, Inc. (JDFS), a wholly-owned finance holding subsidiary of Deere & Company, owns all of the outstanding common stock of Capital Corporation. The Company conducts business in Australia, New Zealand, the U.S., and in several countries in Africa, Asia, Europe, and Latin America. Deere & Company and its wholly-owned subsidiaries are collectively called John Deere.

Retail notes, revolving charge accounts, wholesale receivables, and financing leases are collectively called "Receivables." Receivables and equipment on operating leases are collectively called "Receivables and Leases."

The Company bears substantially all of the credit risk (net of recovery from withholdings from certain John Deere dealers and merchants) associated with its holding of Receivables and Leases. A small portion of the Receivables and Leases held (less than 5 percent) is guaranteed by certain subsidiaries of Deere & Company. The Company also performs substantially all servicing and collection functions. Servicing and collection functions for a small portion of the Receivables and Leases held (less than 5 percent) are provided by John Deere. John Deere is reimbursed for staff and other administrative services at estimated cost, and for credit lines provided to the Company based on utilization of those lines.

Principles of Consolidation

The consolidated financial statements include the financial statements of Capital Corporation and its subsidiaries. The consolidated financial statements represent primarily the consolidation of all companies in which Capital Corporation has a controlling interest. Certain variable interest entities (VIEs) are consolidated since the Company has both the power to direct the activities that most significantly impact the VIEs' economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIEs. The Company records its investment in each unconsolidated affiliated company (generally 20 to 50 percent ownership) at its related equity in the net assets of such affiliate (see Note 25).

Fiscal Year

The Company uses a 52/53 week fiscal year ending on the last Sunday in the reporting period. The fiscal year ends for 2018, 2017, and 2016 were October 28, 2018, October 29, 2017, and October 30, 2016, respectively. All fiscal years contained 52 weeks.

Variable Interest Entities

The Company is the primary beneficiary of and consolidates certain VIEs that are special purpose entities (SPEs) related to the securitization of receivables. See Note 6 for more information on these restricted retail notes.

Note 2. Summary of Significant Accounting Policies

The following are significant accounting policies in addition to those included in other Notes to the Consolidated Financial Statements.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Revenue Recognition

Financing revenue is recorded over the lives of the related receivables using the interest method. Deferred costs on the origination of receivables are recognized as a reduction in finance revenue over the expected lives of the receivables using the interest method. Income and deferred costs on the origination of operating leases are recognized on a straight-line basis over the scheduled lease terms in finance revenue.

Securitization of Receivables

Certain financing receivables are periodically transferred to SPEs in securitization transactions (see Note 6). These securitizations qualify as collateral for secured borrowings and no gains or losses are recognized at the time of securitization. The receivables remain on the balance sheet and are classified as "Retail notes securitized." The Company recognizes finance income over the lives of these retail notes using the interest method.

Depreciation

Equipment on operating leases is depreciated over the terms of the leases using the straight-line method.

Fees Paid to John Deere

Fees paid to John Deere include corporate support fees and interest on intercompany borrowings from John Deere based on approximate market rates.

Derivative Financial Instruments

It is the Company's policy that derivative transactions are executed only to manage exposures arising in the normal course of business and not for the purpose of creating speculative positions or trading. The Company manages the relationship of the types and amounts of its funding sources to its Receivable and Lease portfolios in an effort to diminish risk due to interest rate and foreign currency fluctuations, while responding to favorable financing opportunities. The Company also has foreign currency exposures at some of its foreign and domestic operations related to financing in currencies other than the functional currencies.

All derivatives are recorded at fair value on the balance sheet. Cash collateral received or paid is not offset against the derivative fair values on the balance sheet. Each derivative is designated as either a cash flow hedge, a fair value hedge, or remains undesignated. Changes in the fair value of derivatives that are designated and effective as cash flow hedges are recorded in other comprehensive income (OCI) and reclassified to the income statement when the effects of the item being hedged are recognized in the income statement. Changes in the fair value of derivatives that are designated and effective as fair value hedges are recognized currently in net income. These changes are offset in net income to the extent the hedge was effective by fair value changes related to the risk being hedged on the hedged item. Changes in the fair value of undesignated hedges are recognized currently in the income statement. All ineffective changes in derivative fair values are recognized currently in net income.

All designated hedges are formally documented as to the relationship with the hedged item as well as the risk‑management strategy. Both at inception and on an ongoing basis, the hedging instrument is assessed as to its effectiveness. If and when a derivative is determined not to be highly effective as a hedge, the underlying hedged transaction is no longer likely to occur, the hedge designation is removed, or the derivative is terminated, the hedge accounting discussed above is discontinued (see Note 22).

Foreign Currency Translation

The functional currencies for most of the Company's foreign operations are their respective local currencies. The assets and liabilities of these operations are translated into U.S. dollars at the end of the period exchange rates. The revenues and expenses are translated at weighted-average rates for the period. The gains or losses from these translations are recorded in OCI. Gains or losses from transactions denominated in a currency other than the functional currency of the subsidiary involved and foreign exchange forward contracts are included in net income. The pretax net losses for foreign exchange in 2018, 2017, and 2016 were $11.4 million, $8.1 million, and $13.9 million, respectively.

Note 3. New Accounting Standards

New Accounting Standards Adopted

In the first quarter of 2018, the Company early adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which amends Accounting Standards Codification (ASC) 715, Compensation – Retirement Benefits. This ASU required that employers report only the service cost component of the total defined benefit pension and postretirement benefit cost in the same income statement lines as compensation for the participating employees. The adoption did not impact the presentation of defined benefit pension and postretirement benefit costs on the income statement, as the Company reports both the service cost component and other components of these benefit costs in the income statement line administrative and operating expenses. In addition, only the service cost component of the benefit costs is eligible for capitalization, which was adopted beginning the first quarter of 2018.

In the first quarter of 2018, the Company adopted ASU No. 2016-07, Simplifying the Transition to the Equity Method of Accounting, which amends ASC 323, Investments – Equity Method and Joint Ventures, which did not have a material effect on the Company's consolidated financial statements.

In March 2018, the FASB issued ASU No. 2018-05, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, which amends ASC 740, Income Taxes. This ASU incorporates SEC Staff Accounting Bulletin No. 118, which was issued in December 2017, into the ASC. The ASU provides guidance on when to record and disclose provisional amounts related to tax reform. In addition, the ASU allows for a measurement period up to one year after the enactment date of tax reform to complete the related accounting requirements and was effective when issued. The Company will complete the adjustments related to tax reform within the allowed period. The effects of tax reform on the Company's consolidated financial statements are outlined in Note 16.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which amends ASC 220, Income Statement – Reporting Comprehensive Income. Included in the provisions of tax reform is a reduction of the corporate income tax rate from 35 percent to 21 percent. Accounting principles generally accepted in the U.S. require that deferred taxes are remeasured to the new corporate tax rate in the period legislation is enacted. The deferred tax adjustment is recorded in the provision for income taxes, including items for which the tax effects were originally recorded in OCI. This treatment results in the items in OCI not reflecting the appropriate tax rate, which are referred to as stranded tax effects. This ASU allows a reclassification from accumulated OCI to retained earnings for stranded tax effects resulting from tax reform. The Company early adopted this ASU in the fourth quarter of 2018. The stranded tax effects reclassified from OCI to retained earnings were $1.5 million.

New Accounting Standards to be Adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue. The FASB issued several amendments clarifying various aspects of the ASU, including revenue transactions that involve a third party, goods or services that are immaterial in the context of the contract, and licensing arrangements. The Company will adopt the ASU effective the first quarter of fiscal year 2019 using a modified retrospective approach. The adoption will not have a material effect on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which amends ASC 825-10, Financial Instruments – Overall. This ASU changes the treatment for available-for-sale equity investments by recognizing unrealized fair value changes directly in net income and no longer in other comprehensive income. The effective date will be the first quarter of fiscal year 2019. The Company did not own any available-for-sale equities at October 28, 2018. As a result, the adoption will not have a material effect on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes ASC 840, Leases. The ASU's primary change is the requirement for lessee entities to recognize a lease liability for payments and a right of use asset during the term of operating lease arrangements. The ASU does not significantly change the lessee's recognition, measurement, and presentation of expenses and cash flows from the previous accounting standard. Lessors' accounting under the ASC is largely unchanged from the previous accounting standard. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases and ASU No. 2018-11, Leases: Targeted Improvements. Both ASUs amend ASC 842, Leases. The provisions impacting the Company in these ASUs are an option that will not require prior periods to be restated at the adoption date and an option for lessors, if certain criteria are met, to avoid separating the lease and nonlease components (such as preventative maintenance services) in an agreement. In December 2018, the FASB issued ASU No. 2018-20, Narrow-Scope Improvements for Lessors. This ASU provides an election for lessors to exclude sales and related taxes from consideration in the contract, requires lessors to exclude from revenue and expense lessor costs paid directly to a third party by lessees, and clarifies lessors' accounting for variable payments related to both lease and nonlease components. The effective date will be the first quarter of fiscal year 2020, with early adoption permitted. The Company is evaluating the potential effects on the consolidated financial statements and plans to adopt the ASU using the modified-retrospective approach that will not require prior periods to be restated.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which establishes ASC 326, Financial Instruments – Credit Losses. The ASU revises the measurement of credit losses for financial assets measured at amortized cost from an incurred loss methodology to an expected loss methodology. The ASU affects receivables, debt securities, net investment in leases, and most other financial assets that represent a right to receive cash. Additional disclosures about significant estimates and credit quality are also required. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses. This ASU clarifies that receivables from operating leases are accounted for using the lease guidance and not as financial instruments. The effective date will be the first quarter of fiscal year 2021, with early adoption permitted beginning in fiscal year 2020. The ASU will be adopted using a modified-retrospective approach. The Company is evaluating the potential effects on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which amends ASC 230, Statement of Cash Flows. This ASU provides guidance on the statement of cash flows presentation of certain transactions where diversity in practice exists. The effective date will be the first quarter of fiscal year 2019 and will be adopted using a retrospective transition approach. The adoption will not have a material effect on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory, which amends ASC 740, Income Taxes. This ASU requires that the income tax consequences of an intra-entity asset transfer other than inventory are recognized at the time of the transfer. The effective date will be the first quarter of fiscal year 2019. The ASU will be adopted using a modified-retrospective transition approach. The adoption will not have a material effect on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which amends ASC 230, Statement of Cash Flows. This ASU requires that a statement of cash flows explain the change during the reporting period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. The effective date will be the first quarter of fiscal year 2019 and will be adopted using a retrospective transition approach. The adoption will not have a material effect on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Clarifying the Definition of a Business, which amends ASC 805, Business Combinations. This ASU provides further guidance on the definition of a business to determine whether transactions should be accounted for as acquisitions of assets or businesses. The effective date will be the first quarter of fiscal year 2019. The ASU will be adopted on a prospective basis and will not have a material effect on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Scope of Modification Accounting, which amends ASC 718, Compensation – Stock Compensation. This ASU provides guidance about which changes to the terms of a share-based payment award should be accounted for as a modification. A change to an award should be accounted for as a modification unless the fair value of the modified award is the same as the original award, the vesting conditions do not change, and the classification as an equity or liability instrument does not change. The ASU will be adopted on a prospective basis. The effective date is the first quarter of fiscal year 2019. The adoption will not have a material effect on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, Targeted Improvements to Accounting for Hedging Activities, which amends ASC 815, Derivatives and Hedging. The purpose of this ASU is to better align a company's risk management activities and financial reporting for hedging relationships, simplify the hedge accounting requirements, and improve the disclosures of hedging arrangements. The effective date is fiscal year 2020, with early adoption permitted. The Company will adopt the ASU in the first quarter of fiscal year 2019 and the adoption will not have a material effect on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which amends ASC 820, Fair Value Measurement. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The effective date is the first quarter of fiscal year 2021, with early adoption permitted for the removed disclosures and delayed adoption until fiscal year 2021 permitted for the new disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company will early adopt the ASU in the first quarter of fiscal year 2019. The adoption will not have a material effect on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which amends ASC 350-40, Intangibles – Goodwill and Other – Internal-Use Software. This ASU requires customers in a hosting arrangement that is a service contract to evaluate the implementation costs of the hosting arrangement using the guidance to develop internal-use software. The project development stage determines the implementation costs that are capitalized or expensed. Capitalized implementation costs are amortized over the term of the service arrangement and are presented in the same income statement line item as the service contract costs. The effective date will be the first quarter of fiscal year 2021, with early adoption permitted. The Company will adopt the ASU on a prospective basis. The Company is evaluating the potential effects on the Company's consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-16, Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes, which amends ASC 815, Derivatives and Hedging. This ASU adds the OIS rate based on SOFR to the list of permissible benchmark rates for hedge accounting purposes. The Company will early adopt the ASU in the first quarter of fiscal year 2019. The adoption will not have a material effect on the Company's consolidated financial statements.

Note 4. Receivables

Retail Notes Receivable

The Company provides and administers financing for retail purchases of new equipment manufactured by John Deere's agriculture and turf and construction and forestry operations and used equipment taken in trade for this equipment. The Company generally purchases retail installment sales and loan contracts (retail notes) from John Deere. These retail notes are acquired by John Deere through John Deere dealers. The Company also purchases and finances a limited amount of retail notes unrelated to John Deere.

Retail notes receivable by product category at October 28, 2018 and October 29, 2017 were as follows (in millions of dollars):

	2018		2017	
	Unrestricted	Securitized	Unrestricted	Securitized
Agriculture and turf – new	$ 8,202.8	$ 1,438.8	$ 7,300.4	$ 1,554.1
Agriculture and turf – used	4,095.8	2,001.8	4,179.0	2,097.4
Construction and forestry – new	2,084.9	518.3	1,731.3	521.6
Construction and forestry – used	359.5	79.0	319.5	77.0
Total	14,743.0	4,037.9	13,530.2	4,250.1
Unearned finance income	(587.0)	(83.0)	(487.9)	(77.8)
Retail notes receivable	$ 14,156.0	$ 3,954.9	$ 13,042.3	$ 4,172.3

Retail notes acquired by the Company during the years ended October 28, 2018, October 29, 2017, and October 30, 2016 had an average original term (based on dollar amounts) of 56 months, 56 months, and 55 months, respectively. Historically, because of prepayments, the average actual life of retail notes has been considerably shorter than the average original term. The average actual life for retail notes liquidated in 2018, 2017, and 2016 was 41 months, 40 months, and 37 months, respectively.

Gross retail note installments at October 28, 2018 and October 29, 2017 were scheduled to be received as follows (in millions of dollars):

	2018		2017	
	Unrestricted	Securitized	Unrestricted	Securitized
Due in:				
0-12 months	$ 4,801.2	$ 1,886.0	$ 4,424.7	$ 2,027.6
13-24 months	3,679.8	1,140.2	3,405.6	1,256.1
25-36 months	2,887.3	637.9	2,651.4	671.8
37-48 months	1,994.9	307.2	1,819.5	242.8
49-60 months	1,106.1	64.4	992.5	50.2
Over 60 months	273.7	2.2	236.5	1.6
Total	$ 14,743.0	$ 4,037.9	$ 13,530.2	$ 4,250.1

Company guidelines relating to down payment requirements and contract terms on retail notes are generally as follows:

	Down Payment	Contract Terms
Agriculture and turf (new and used):		
Seasonal payments	10% - 30%	3 - 7 years
Monthly payments	10% - 20%	36 - 84 months
Construction and forestry:		
New	10%	48 - 60 months
Used	15%	36 - 48 months

Finance income is recognized over the lives of the retail notes using the interest method. During 2018, the average effective yield on retail notes held by the Company was approximately 4.5 percent, compared with 4.1 percent in 2017 and 3.9 percent in 2016. Finance income on variable-rate retail notes is adjusted monthly based on fluctuations in the base rate of a specified bank. Net costs incurred in the acquisition of retail notes are deferred and recognized over the expected lives of the retail notes using the interest method.

A portion of the finance income earned by the Company arises from financing of retail sales of John Deere equipment on which finance charges are waived or reduced by John Deere for a period from the date of the retail sale to a specified subsequent date. The Company receives compensation from John Deere equal to competitive market interest rates for periods during which finance charges have been waived or reduced. The Company computes the compensation from John Deere for waived or reduced finance charges based on the Company's estimated funding costs, administrative and operating expenses, credit losses, and required return on equity. The financing rate following the waiver or interest reduction period is not significantly different from the compensation rate from John Deere. The portions of the Company's finance income earned that were received from John Deere on retail notes containing waiver of finance charges or reduced rates were 37 percent, 34 percent, and 30 percent in 2018, 2017, and 2016, respectively. During 2018, 2017, and 2016, the finance income earned from John Deere on retail notes containing waiver of finance charges or reduced rates was $282.5 million, $236.4 million, and $211.0 million, respectively.

A deposit is withheld by the Company on certain John Deere agriculture and turf equipment retail notes originating from dealers. Any subsequent retail note losses are charged against the withheld deposits. At the end of each calendar quarter, the balance of each dealer's withholding account in excess of a specified percent (ranging from one-half to three percent based on dealer qualifications) of the total balance outstanding on retail notes originating with that dealer is remitted to the dealer. To the extent that these deposits withheld from the dealer from whom the retail note was acquired cannot absorb a loss on a retail note, it is charged against the Company's allowance for credit losses. There is generally no withholding of dealer deposits on John Deere construction and forestry equipment retail notes.

The Company generally requires that theft and physical damage insurance be carried on all goods leased or securing retail notes and wholesale receivables. In certain markets, the customer may, at the customer's own expense, have the Company or the seller of the goods purchase this insurance or obtain it from other sources.

Revolving Charge Accounts Receivable

Revolving charge account income is generated primarily by three revolving credit products: John Deere Financial Multi-Use Account, PowerPlan ® , and John Deere Financial Revolving Plan. John Deere Financial Multi-Use Account is primarily used by farmers and ranchers to finance day-to-day operating expenses, such as parts and services. Merchants, including agribusinesses and dealers, offer John Deere Financial Multi-Use Account as an alternative to carrying in-house accounts receivable and can initially sell existing balances to the Company under a recourse arrangement. John Deere Financial Multi-Use Account income includes a discount paid by merchants for transaction processing and support and finance charges paid by customers on their outstanding account balances. PowerPlan ® is primarily used by construction companies to finance day-to-day operating expenses, such as parts and services, and is otherwise similar to John Deere Financial Multi-Use Account. John Deere construction and forestry dealers offer PowerPlan ® as an alternative to carrying in-house accounts receivable and can initially sell existing balances to the Company under a recourse arrangement. PowerPlan ® income includes a discount paid by dealers for transaction processing and support and finance charges paid by customers on their outstanding account balances. The John Deere Financial Revolving Plan is used primarily by retail customers of John Deere dealers to finance turf and utility equipment. Income includes a discount paid by dealers on most transactions and finance charges paid by customers on their outstanding account balances. Revolving charge account income is also generated through waiver of finance charges or reduced rates from sponsoring merchants.

During 2018, 2017, and 2016, the finance income earned from John Deere on revolving charge accounts containing waiver of finance charges or reduced rates was $12.7 million, $13.6 million, and $11.3 million, respectively. Revolving charge accounts receivable at October 28, 2018 and October 29, 2017 totaled $3,797.6 million and $3,572.6 million, and were net of unearned interest income of $44.0 million and $46.4 million for the same periods, respectively. Generally, account holders may pay the account balance in full at any time or make payments over a number of months according to a payment schedule.

Wholesale Receivables

The Company also finances wholesale inventories of John Deere agriculture and turf equipment and construction and forestry equipment owned by dealers of those products in the form of wholesale receivables. Wholesale finance income related to these notes is generally recognized monthly based on the daily balance of wholesale receivables outstanding and the applicable effective interest rate. Interest rates vary with a bank base rate, the type of equipment financed, and the balance outstanding. Substantially all wholesale receivables are secured by equipment financed or other financial securities. The average actual life for wholesale receivables is less than 12 months. Wholesale receivables at October 28, 2018 and October 29, 2017 totaled $7,967.6 million and $6,894.3 million, respectively.

The Company purchases certain wholesale trade receivables from John Deere. These trade receivables arise from John Deere’s sales of goods to independent dealers. Under the terms of the sales to dealers, interest is primarily charged to dealers on outstanding balances, from the earlier of the date when goods are sold to retail customers by the dealer or the expiration of certain interest-free periods granted at the time of the sale to the dealer, until payment is received by the Company. Dealers cannot cancel purchases after the equipment is shipped and are responsible for payment even if the equipment is not sold to retail customers. The interest-free periods are determined based on the type of equipment sold and the time of year of the sale. These periods range from one to twelve months for most equipment. Interest-free periods may not be extended. Interest charged may not be forgiven and the past due interest rates exceed market rates. The Company receives compensation from John Deere at approximate market interest rates for these interest-free periods. The Company computes the compensation from John Deere for interest-free periods based on the Company’s estimated funding costs, administrative and operating expenses, credit losses, and required return on equity. During 2018, 2017, and 2016, the compensation earned from John Deere on wholesale receivables for waiver of finance charges or reduced rates was $285.0 million, $225.5 million, and $209.7 million, respectively.

Financing Leases

The Company leases agriculture and turf equipment and construction and forestry equipment directly to retail customers. At the time of accepting a lease that qualifies as a financing lease, the Company records the gross amount of lease payments receivable, estimated residual value of the leased equipment, and unearned finance income. The unearned finance income is equal to the excess of the gross lease receivable plus the estimated residual value over the cost of the equipment. The unearned finance income is recognized as revenue over the lease term using the interest method. Net costs incurred in the acquisition of financing leases are deferred and recognized over the expected lives of the financing leases using the interest method.

Financing leases receivable by product category at October 28, 2018 and October 29, 2017 were as follows (in millions of dollars):

	2018	2017
Agriculture and turf	$ 423.0	$ 408.4
Construction and forestry	150.6	151.7
Total	573.6	560.1
Estimated residual values	272.9	222.3
Unearned finance income	(75.9)	(68.2)
Financing leases receivable	$ 770.6	$ 714.2

Initial lease terms for financing leases generally range from 4 months to 72 months. Payments on financing leases receivable at October 28, 2018 and October 29, 2017 were scheduled as follows (in millions of dollars):

	2018	2017
Due in:		
0-12 months	$ 217.4	$ 216.0
13-24 months	157.4	147.5
25-36 months	113.2	106.8
37-48 months	53.3	59.4
Over 48 months	32.3	30.4
Total	$ 573.6	$ 560.1

Deposits withheld from John Deere dealers and related credit losses on financing leases are handled in a manner similar to the procedures for retail notes. As with retail notes, there are generally no deposits withheld from dealers on financing leases related to construction and forestry equipment. In addition, a lease payment discount program, allowing reduced payments over the term of the lease, is administered in a manner similar to finance waiver on retail notes. During 2018, 2017, and 2016, the finance income earned from John Deere on financing leases containing waiver of finance charges or reduced rates was $3.8 million, $3.0 million, and $2.3 million, respectively.

Equipment returned to the Company upon termination of leases and held for subsequent sale or lease is recorded in other assets at the lower of net book value or estimated fair value of the equipment less cost to sell and is not depreciated.

Concentration of Credit Risk

Receivables have significant concentrations of credit risk in the agriculture and turf and construction and forestry sectors as shown in the previous tables. On a geographic basis, there is not a disproportionate concentration of credit risk in any area. The Company generally secures its Receivables, other than certain revolving charge accounts, by retaining as collateral a security interest in the goods associated with those Receivables or with the use of other financial securities.

Note 5. Allowance for Credit Losses and Credit Quality of Receivables

Delinquencies

Past due balances of Receivables still accruing finance income represent the total balance held (principal plus accrued interest) with any payment amounts 30 days or more past the contractual payment due date.

The Company monitors the credit quality of Receivables as either performing or non-performing monthly. Non-performing Receivables represent loans for which the Company has ceased accruing finance income. Generally, when retail notes are approximately 120 days delinquent, accrual of finance income is suspended, the collateral is repossessed or the account is designated for litigation, and the estimated uncollectible amount, after charging the dealer's withholding account, if any, is written off to the allowance for credit losses. Revolving charge accounts are generally deemed to be uncollectible and written off to the allowance for credit losses when delinquency reaches 120 days. Generally, when a wholesale receivable becomes 60 days delinquent, the Company determines whether the accrual of finance income on interest-bearing wholesale receivables should be suspended, the collateral should be repossessed or the account should be designated for litigation, and the estimated uncollectible amount written off to the allowance for credit losses. Generally, when a financing lease account becomes 120 days delinquent, the accrual of lease revenue is suspended, the equipment is repossessed or the account is designated for litigation, and the estimated uncollectible amount, after charging the dealer's withholding account, if any, is written off to the allowance for credit losses. Finance income for non-performing Receivables is recognized on a cash basis. Accrual of finance income is generally resumed when the receivable becomes contractually current and collections are reasonably assured.

An age analysis of past due Receivables that are still accruing interest and non-performing Receivables at October 28, 2018 was as follows (in millions of dollars):

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail notes:				
Agriculture and turf	$ 119.7	$ 67.5	$ 57.5	$ 244.7
Construction and forestry	75.9	44.8	49.7	170.4
Revolving charge accounts:				
Agriculture and turf	22.8	8.3	4.6	35.7
Construction and forestry	4.0	1.2	.8	6.0
Wholesale receivables:				
Agriculture and turf	1.7	.4	1.1	3.2
Construction and forestry	1.2			1.2
Financing leases:				
Agriculture and turf	9.9	6.1	2.3	18.3
Construction and forestry	1.7	1.1	.9	3.7
Total Receivables	$ 236.9	$ 129.4	$ 116.9	$ 483.2

	Total Past Due	Total Non-Performing	Current	Total Receivables
Retail notes:				
Agriculture and turf	$ 244.7	$ 95.9	$ 14,838.6	$ 15,179.2
Construction and forestry	170.4	28.5	2,732.8	2,931.7
Revolving charge accounts:				
Agriculture and turf	35.7	1.3	3,659.2	3,696.2
Construction and forestry	6.0		95.4	101.4
Wholesale receivables:				
Agriculture and turf	3.2	7.3	6,135.5	6,146.0
Construction and forestry	1.2		1,820.4	1,821.6
Financing leases:				
Agriculture and turf	18.3	8.4	597.5	624.2
Construction and forestry	3.7	.6	142.1	146.4
Total Receivables	$ 483.2	$ 142.0	$ 30,021.5	$ 30,646.7

An age analysis of past due Receivables that are still accruing interest and non-performing Receivables at October 29, 2017 was as follows (in millions of dollars):

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail notes:				
Agriculture and turf	$ 106.2	$ 48.3	$ 45.3	$ 199.8
Construction and forestry	73.0	31.9	39.2	144.1
Revolving charge accounts:				
Agriculture and turf	15.4	5.6	2.3	23.3
Construction and forestry	2.9	1.1	.3	4.3
Wholesale receivables:				
Agriculture and turf	4.5	1.6	2.4	8.5
Construction and forestry	.1	.1	.1	.3
Financing leases:				
Agriculture and turf	8.9	7.5	3.6	20.0
Construction and forestry	.5	1.1	.1	1.7
Total Receivables	$ 211.5	$ 97.2	$ 93.3	$ 402.0

	Total Past Due	Total Non-Performing	Current	Total Receivables
Retail notes:				
Agriculture and turf	$ 199.8	$ 63.1	$ 14,379.9	$ 14,642.8
Construction and forestry	144.1	24.2	2,403.5	2,571.8
Revolving charge accounts:				
Agriculture and turf	23.3	1.8	3,458.7	3,483.8
Construction and forestry	4.3		84.5	88.8
Wholesale receivables:				
Agriculture and turf	8.5	10.8	5,469.6	5,488.9
Construction and forestry	.3		1,405.1	1,405.4
Financing leases:				
Agriculture and turf	20.0	6.2	541.3	567.5
Construction and forestry	1.7	1.7	143.3	146.7
Total Receivables	$ 402.0	$ 107.8	$ 27,885.9	$ 28,395.7

Allowance for Credit Losses

Allowances for credit losses on Receivables are maintained in amounts considered to be appropriate in relation to the Receivables outstanding based on historical loss experience by product category, portfolio duration, delinquency trends, economic conditions in the Company's major markets and geographies, and credit risk quality.

An analysis of the allowance for credit losses and investment in Receivables was as follows (in millions of dollars):

	Retail Notes	Revolving Charge Accounts	Wholesale Receivables	Financing Leases	Total Receivables
2018					
Allowance:					
Beginning of year balance	$ 55.7	$ 39.7	$ 9.9	$ 8.5	$ 113.8
Provision (credit) for credit losses	11.9	36.7	(.8)	(.6)	47.2
Write-offs	(22.1)	(54.1)	(1.1)	(3.9)	(81.2)
Recoveries	6.4	20.0	.2	.8	27.4
Translation adjustments	(.3)		(.2)		(.5)
End of year balance	$ 51.6	$ 42.3	$ 8.0	$ 4.8	$ 106.7
Balance individually evaluated *	$ .1		$ 2.8		$ 2.9
Receivables:					
End of year balance	$ 18,110.9	$ 3,797.6	$ 7,967.6	$ 770.6	$ 30,646.7
Balance individually evaluated *	$ 59.2	$ 2.3	$ 8.8		$ 70.3
2017					
Allowance:					
Beginning of year balance	$ 56.3	$ 39.7	$ 7.2	$ 8.5	$ 111.7
Provision for credit losses	29.7	32.3	3.0	5.3	70.3
Write-offs	(38.2)	(52.2)	(.2)	(5.7)	(96.3)
Recoveries	7.8	19.9		.3	28.0
Translation adjustments	.1		(.1)	.1	.1
End of year balance	$ 55.7	$ 39.7	$ 9.9	$ 8.5	$ 113.8
Balance individually evaluated *	$ .6		$ 2.6		$ 3.2
Receivables:					
End of year balance	$ 17,214.6	$ 3,572.6	$ 6,894.3	$ 714.2	$ 28,395.7
Balance individually evaluated *	$ 41.0	$ 3.1	$ 24.0	$ 4.0	$ 72.1
2016					
Allowance:					
Beginning of year balance	$ 53.3	$ 39.7	$ 8.1	$ 8.7	$ 109.8
Provision for credit losses	27.3	35.8	3.1	2.6	68.8
Write-offs	(29.9)	(54.3)	(4.1)	(3.0)	(91.3)
Recoveries	5.8	18.5	.1	.5	24.9
Translation adjustments	(.2)			(.3)	(.5)
End of year balance	$ 56.3	$ 39.7	$ 7.2	$ 8.5	$ 111.7
Balance individually evaluated *	$ 2.3		$ .2	$ .1	$ 2.6
Receivables:					
End of year balance	$ 17,468.2	$ 3,078.5	$ 6,562.5	$ 605.3	$ 27,714.5
Balance individually evaluated *	$ 44.5	$ 8.4	$ .8	$ .6	$ 54.3

* Remainder is collectively evaluated.

Investments in non-performing Receivables at October 28, 2018 and October 29, 2017 were $142.0 million and $107.8 million, respectively. These Receivables as a percentage of total Receivables outstanding were .46 percent and .38 percent at October 28, 2018 and October 29, 2017, respectively. Total Receivable amounts 30 days or more past due and still accruing finance income were $483.2 million at October 28, 2018, compared with $402.0 million at October 29, 2017. These past due amounts represented 1.58 percent and 1.42 percent of total Receivables outstanding at October 28, 2018 and October 29, 2017, respectively. The allowance for credit losses as a percentage of total Receivables outstanding represented .35 percent at October 28, 2018 and .40 percent at October 29, 2017. In addition, at October 28, 2018 and October 29, 2017, the Company had $132.3 million and $129.1 million, respectively, of deposits primarily withheld from John Deere dealers and merchants available for potential credit losses.

Impaired Receivables

Receivables are considered impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms. Receivables reviewed for impairment generally include those that are past due, have provided bankruptcy notification, or require significant collection efforts. Receivables, which are impaired, are generally classified as non-performing.

An analysis of impaired Receivables at October 28, 2018 and October 29, 2017 was as follows (in millions of dollars):

	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment
2018 *				
Receivables with specific allowance:				
Retail notes	$ .8	$ .6	$ .1	$ .9
Wholesale receivables	5.8	5.8	2.8	6.7
Total with specific allowance	6.6	6.4	2.9	7.6
Receivables without specific allowance:				
Retail notes	23.9	23.6		26.1
Wholesale receivables	2.4	2.4		2.6
Total without specific allowance	26.3	26.0		28.7
Total	$ 32.9	$ 32.4	$ 2.9	$ 36.3
Agriculture and turf	$ 28.8	$ 28.4	$ 2.9	$ 31.7
Construction and forestry	4.1	4.0		4.6
Total	$ 32.9	$ 32.4	$ 2.9	$ 36.3
2017 *				
Receivables with specific allowance:				
Retail notes	$ 2.2	$ 2.1	$ .6	$ 2.2
Wholesale receivables	11.7	11.7	2.6	11.0
Total with specific allowance	13.9	13.8	3.2	13.2
Receivables without specific allowance:				
Retail notes	18.3	18.0		14.0
Wholesale receivables	9.0	9.0		2.3
Total without specific allowance	27.3	27.0		16.3
Total	$ 41.2	$ 40.8	$ 3.2	$ 29.5
Agriculture and turf	$ 36.0	$ 35.6	$ 3.2	$ 23.9
Construction and forestry	5.2	5.2		5.6
Total	$ 41.2	$ 40.8	$ 3.2	$ 29.5

* Finance income recognized was not material.

A troubled debt restructuring is generally the modification of debt in which a creditor grants a concession it would not otherwise consider to a debtor that is experiencing financial difficulties. These modifications may include a reduction of the stated interest rate, an extension of the maturity dates, a reduction of the face amount or maturity amount of the debt, or a reduction of accrued interest. During 2018, 2017, and 2016, the Company identified 378, 424, and 150 Receivable contracts, primarily retail notes, as troubled debt restructurings with aggregate balances of $18.0 million, $14.0 million, and $5.0 million pre-modification and $17.3 million, $12.6 million, and $4.0 million post-modification, respectively. In 2017, there were $2.0 million of troubled debt restructurings that subsequently defaulted and were written off. In 2018 and 2016, there were no significant troubled debt restructurings that subsequently defaulted and were written off. At October 28, 2018, the Company had no commitments to lend additional funds to borrowers whose accounts were modified in troubled debt restructurings.

Write-offs

Total Receivable write-offs and recoveries, by product, and as a percentage of average balances held during the year, were as follows (in millions of dollars):

	2018		2017		2016	
	Dollars	**Percent**	**Dollars**	**Percent**	**Dollars**	**Percent**
Write-offs:						
Retail notes:						
Agriculture and turf	$ (6.4)	(.04)%	$ (17.0)	(.12)%	$ (10.5)	(.07)%
Construction and forestry	(15.7)	(.57)	(21.2)	(.85)	(19.4)	(.79)
Total retail notes	(22.1)	(.13)	(38.2)	(.23)	(29.9)	(.17)
Revolving charge accounts	(54.1)	(1.67)	(52.2)	(1.76)	(54.3)	(2.13)
Wholesale receivables	(1.1)	(.01)	(.2)		(4.1)	(.05)
Financing leases	(3.9)	(.55)	(5.7)	(.92)	(3.0)	(.54)
Total write-offs	(81.2)	(.27)	(96.3)	(.35)	(91.3)	(.32)
Recoveries:						
Retail notes:						
Agriculture and turf	4.7	.03	5.8	.04	4.3	.03
Construction and forestry	1.7	.06	2.0	.08	1.5	.06
Total retail notes	6.4	.04	7.8	.05	5.8	.03
Revolving charge accounts	20.0	.62	19.9	.68	18.5	.73
Wholesale receivables	.2				.1	
Financing leases	.8	.11	.3	.05	.5	.09
Total recoveries	27.4	.09	28.0	.10	24.9	.09
Total net write-offs	$ (53.8)	(.18)%	$ (68.3)	(.25)%	$ (66.4)	(.23)%

Note 6. Securitization of Receivables

The Company, as a part of its overall funding strategy, periodically transfers certain receivables (retail notes) into VIEs that are SPEs, or non-VIE banking operations, as part of its asset-backed securities programs (securitizations). The structure of these transactions is such that the transfer of the retail notes did not meet the accounting criteria for sales of receivables, and is, therefore, accounted for as a secured borrowing. SPEs utilized in securitizations of retail notes differ from other entities included in the Company's consolidated statements because the assets they hold are legally isolated. Use of the assets held by the SPEs or the non-VIEs is restricted by terms of the documents governing the securitization transactions.

In these securitizations, the retail notes are transferred to certain SPEs or to non-VIE banking operations, which in turn issue debt to investors. The debt securities issued to the third party investors result in secured borrowings, which are recorded as "Securitization borrowings" on the consolidated balance sheet. The securitized retail notes are recorded as "Retail notes securitized" on the consolidated balance sheet. The total restricted assets on the consolidated balance sheet related to these securitizations include the retail notes securitized less an allowance for credit losses, and other assets primarily representing restricted cash. For those securitizations in which retail notes are transferred into SPEs, the SPEs supporting the secured borrowings are consolidated unless the Company does not have both the power to direct the activities that most significantly impact the SPEs' economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the SPEs. No additional support to these SPEs beyond what was previously contractually required has been provided during the reporting periods.

In certain securitizations, the Company consolidates the SPEs since it has both the power to direct the activities that most significantly impact the SPEs' economic performance through its role as servicer of all the Receivables held by the SPEs, and the obligation through variable interests in the SPEs to absorb losses or receive benefits that could potentially be significant to the SPEs. The restricted assets (retail notes securitized, allowance for credit losses, and other assets) of the consolidated SPEs totaled $2,592.4 million and $2,630.5 million at October 28, 2018 and October 29, 2017, respectively. The liabilities (securitization borrowings and accrued interest) of these SPEs totaled $2,519.6 million and $2,571.1 million at October 28, 2018 and October 29, 2017, respectively. The credit holders of these SPEs do not have legal recourse to the Company's general credit.

In certain securitizations, the Company transfers retail notes to non-VIE banking operations, which are not consolidated since the Company does not have a controlling interest in the entities. The Company's carrying values and interests related to the securitizations with the unconsolidated non-VIEs were restricted assets (retail notes securitized, allowance for credit losses, and other assets) of $427.9 million and $478.4 million at October 28, 2018 and October 29, 2017, respectively. The liabilities (securitization borrowings and accrued interest) were $399.8 million and $454.1 million at October 28, 2018 and October 29, 2017, respectively.

In certain securitizations, the Company transfers retail notes into bank-sponsored, multi-seller, commercial paper conduits, which are SPEs that are not consolidated. The Company does not service a significant portion of the conduits' receivables, and therefore, does not have the power to direct the activities that most significantly impact the conduits' economic performance. These conduits provide a funding source to the Company (as well as other transferors into the conduits) as they fund the retail notes through the issuance of commercial paper. The Company's carrying values and variable interest related to these conduits were restricted assets (retail notes securitized, allowance for credit losses, and other assets) of $1,033.2 million and $1,155.1 million at October 28, 2018 and October 29, 2017, respectively. The liabilities (securitization borrowings and accrued interest) related to these conduits were $965.5 million and $1,096.3 million at October 28, 2018 and October 29, 2017, respectively.

The Company's carrying amount of the liabilities to the unconsolidated conduits, compared to the maximum exposure to loss related to these conduits, which would only be incurred in the event of a complete loss on the restricted assets at October 28 was as follows (in millions of dollars):

		2018
Carrying value of liabilities	$	965.5
Maximum exposure to loss		1,033.2

The total assets of unconsolidated VIEs related to securitizations were approximately $34.7 billion at October 28, 2018.

The components of consolidated restricted assets related to secured borrowings in securitization transactions at October 28, 2018 and October 29, 2017 were as follows (in millions of dollars):

		2018		2017
Retail notes securitized	$	3,954.9	$	4,172.3
Allowance for credit losses		(9.6)		(13.5)
Other assets		108.2		105.2
Total restricted securitized assets	$	4,053.5	$	4,264.0

The components of consolidated secured borrowings and other liabilities related to securitizations at October 28, 2018 and October 29, 2017 were as follows (in millions of dollars):

		2018		2017
Securitization borrowings	$	3,881.7	$	4,118.7
Accrued interest on borrowings		3.2		2.8
Total liabilities related to restricted securitized assets	$	3,884.9	$	4,121.5

The secured borrowings related to these restricted securitized retail notes are obligations that are payable as the retail notes are liquidated. Repayment of the secured borrowings depends primarily on cash flows generated by the restricted assets. Due to the Company's short-term credit rating, cash collections from these restricted assets are not required to be placed into a segregated collection account until immediately prior to the time payment is required to the secured creditors. At October 28, 2018, the maximum remaining term of all restricted securitized retail notes was approximately six years.

Note 7. Equipment on Operating Leases

Operating leases arise primarily from the leasing of John Deere equipment to retail customers. Rental payments applicable to equipment on operating leases are recorded as income on a straight-line method over the lease terms. Operating lease assets are recorded at cost and depreciated to their estimated residual value on a straight-line method over the terms of the leases. Residual values represent estimates of the value of the leased assets at the end of the lease terms. The Company evaluates the carrying value of its operating lease assets and tests for impairment when events or circumstances necessitate the evaluation. Generally, impairment is determined to exist if the undiscounted expected future cash flows from the operating leases are lower than the carrying value of the leased assets. During 2018 and 2017, the Company recorded no impairment losses on operating leases, and $31.1 million in 2016. Operating lease impairments are included in administrative and operating expenses on the statement of consolidated income.

The cost of equipment on operating leases by product category at October 28, 2018 and October 29, 2017 was as follows (in millions of dollars):

	2018	2017
Agriculture and turf	$ 4,727.0	$ 4,418.6
Construction and forestry	1,592.7	1,364.9
Total	6,319.7	5,783.5
Accumulated depreciation	(1,217.2)	(1,065.2)
Equipment on operating leases – net	$ 5,102.5	$ 4,718.3

Initial lease terms for equipment on operating leases generally range from 12 months to 60 months. Rental payments for equipment on operating leases at October 28, 2018 and October 29, 2017 were scheduled as follows (in millions of dollars):

	2018	2017
Due in:		
0-12 months	$ 644.1	$ 581.0
13-24 months	414.4	354.4
25-36 months	202.8	165.8
37-48 months	83.8	71.0
Over 48 months	12.4	9.8
Total	$ 1,357.5	$ 1,182.0

Deposits withheld from John Deere dealers and related credit losses on operating leases are handled in a manner similar to the procedures for retail notes. As with retail notes, there are generally no deposits withheld from dealers on operating leases related to construction and forestry equipment. At October 28, 2018 and October 29, 2017, the Company also had $33.7 million and $51.9 million, respectively, of deposits withheld from John Deere dealers available for potential losses on residual values. In addition, a lease payment discount program, allowing reduced payments over the term of the lease, is administered in a manner similar to finance waivers on retail notes. During 2018, 2017, and 2016, the operating lease revenue earned from John Deere was $39.2 million, $30.9 million, and $28.7 million, respectively.

Equipment returned to the Company upon termination of leases and held for subsequent sale or lease is recorded in other assets at the lower of net book value or estimated fair value of the equipment less cost to sell and is not depreciated. During 2018 and 2017, the Company recorded no impairment losses on matured operating lease inventory, and $28.6 million in 2016. Impairment losses on matured operating lease inventory are included in administrative and operating expenses on the statement of consolidated income.

Past due balances of operating leases represent the total balance held (net book value plus accrued lease payments) and still accruing finance income with any payment amounts 30 days or more past the contractual payment due date. These amounts were $80.0 million and $76.0 million at October 28, 2018 and October 29, 2017, respectively.

Note 8. Notes Receivable from John Deere

The Company makes loans to affiliated companies. The Company receives interest from John Deere at competitive market interest rates. The lending agreements mature over the next six years. Interest earned from John Deere was $11.1 million, $3.4 million, and none in 2018, 2017, and 2016, respectively.

The Company had notes receivable from John Deere at October 28, 2018 and October 29, 2017 with the following affiliated companies as follows (in millions of dollars):

	2018	2017
Limited Liability Company John Deere Financial	$ 123.5	$ 102.2
Banco John Deere S.A.	71.9	54.5
Total Notes Receivable from John Deere	$ 195.4	$ 156.7

Note 9. Short-Term Borrowings

Short-term borrowings of the Company at October 28, 2018 and October 29, 2017 consisted of the following (in millions of dollars):

	2018	2017
Commercial paper and other notes payable	$ 2,112.9	$ 2,051.2
Securitization borrowings	3,881.7	4,118.7
John Deere	1,376.8	553.2
Current maturities of long-term borrowings	4,587.6 *	5,056.9 *
Total	$ 11,959.0	$ 11,780.0

* Includes unamortized fair value adjustments related to interest rate swaps.

Securitization borrowings are secured by retail notes securitized on the balance sheet (see Note 6). Although these securitization borrowings are classified as short-term since payment is required if the retail notes are liquidated early, the payment schedule for these borrowings of $3,881.7 million, which are net of debt acquisition costs, at October 28, 2018 based on the expected liquidation of the retail notes in millions of dollars is as follows: 2019 - $2,125.4, 2020 - $1,056.2, 2021 - $533.4, 2022 - $160.4, 2023 - $10.3, and 2024 - $.6. The Company's short-term debt also includes amounts borrowed from John Deere. The Company pays interest on a monthly basis to John Deere for these borrowings based on a market rate. The weighted-average interest rates on total short-term borrowings, excluding current maturities of long-term borrowings, at October 28, 2018 and October 29, 2017, were 2.6 percent and 1.7 percent, respectively.

Lines of credit available from U.S. and foreign banks were $7,625.6 million at October 28, 2018. Some of these credit lines are available to both the Company and Deere & Company. At October 28, 2018, $3,723.7 million of these worldwide lines of credit were unused. For the purpose of computing unused credit lines, commercial paper and short-term bank borrowings, excluding secured borrowings and the current portion of long-term borrowings, of the Company and John Deere were primarily considered to constitute utilization. Included in the total credit lines at October 28, 2018 were 364-day credit facility agreements of $1,750.0 million, expiring in April 2019, and $750.0 million, expiring in October 2019. In addition, total credit lines included long-term credit facility agreements of $2,500.0 million, expiring in April 2021, and $2,500.0 million, expiring in April 2022. The agreements are mutually extendable and the annual facility fees are not significant. These credit agreements require the Company to maintain its consolidated ratio of earnings to fixed charges at not less than 1.05 to 1 for each fiscal quarter and the ratio of senior debt, excluding securitization indebtedness, to capital base (total subordinated debt and stockholder's equity excluding accumulated other comprehensive income (loss)) at not more than 11 to 1 at the end of any fiscal quarter. "Senior debt" consists of the Company's total interest-bearing obligations, excluding subordinated debt and certain securitization indebtedness, but including borrowings from John Deere. All of these requirements of the credit agreements have been met during the periods included in the consolidated financial statements. The facility fees on these lines of credit are divided between Deere & Company and the Company based on the proportion of their respective forecasted liquidity requirements.

Deere & Company has an agreement with Capital Corporation pursuant to which it has agreed to continue to own, directly or through one or more wholly-owned subsidiaries, at least 51 percent of the voting shares of capital stock of Capital Corporation and to maintain the Company's consolidated tangible net worth at not less than $50.0 million. This agreement also obligates Deere & Company to make payments to the Company such that its consolidated ratio of earnings to fixed charges is not less than 1.05 to 1 for each fiscal quarter. Deere & Company's obligations to make payments to the Company under the agreement are independent of whether the Company is in default on its indebtedness, obligations, or other liabilities. Further, Deere & Company's obligations under the agreement are not measured by the amount of the Company's indebtedness, obligations, or other liabilities. Deere & Company's obligations to make payments under this agreement are expressly stated not to be a guaranty of any specific indebtedness, obligation, or liability of the Company and are enforceable only by or in the name of Capital Corporation. No payments were required under this agreement during the periods included in the consolidated financial statements.

Note 10. Long-Term Borrowings

Long-term borrowings of the Company at October 28, 2018 and October 29, 2017 consisted of the following (in millions of dollars):

	2018	2017
Senior Debt:		
Medium-term notes due 2019-2028 (principal $19,308.2 - 2018, $17,121.1 - 2017):	$ 18,958.2 *	$ 17,049.9 *
Average interest rate of 2.8% - 2018, 2.0% - 2017		
2.75% Senior notes due 2022 ($500.0 principal):	489.3 *	501.5 *
Swapped $500.0 to variable interest rate of 3.5% - 2018, 2.0% - 2017		
Other notes	34.4	30.8
Total senior debt	19,481.9	17,582.2
Unamortized debt discount and debt issuance costs	(49.7)	(47.8)
Total **	$ 19,432.2	$ 17,534.4

* Includes unamortized fair value adjustments related to interest rate swaps.

** All interest rates are as of year-end.

The approximate principal amounts of long-term borrowings maturing in each of the next five years, in millions of dollars, are as follows: 2019 - $4,590.7, 2020 - $5,216.9, 2021 - $4,810.8, 2022 - $2,966.4, and 2023 - $3,123.5.

Note 11. Leases

Total rental expense for operating leases was $2.0 million, $2.1 million, and $1.9 million for 2018, 2017, and 2016, respectively. At October 28, 2018, future minimum lease payments under operating leases amounted to $5.9 million as follows (in millions of dollars): 2019 - $1.9, 2020 - $1.5, 2021 - $1.2, 2022 - $.8, and 2023 - $.5.

Note 12. Capital Stock

All of Capital Corporation's common stock is owned by JDFS, a wholly-owned finance holding subsidiary of Deere & Company. No shares of common stock of Capital Corporation were reserved for officers or employees or for options, warrants, conversions, or other rights at October 28, 2018 or October 29, 2017. At October 28, 2018 and October 29, 2017, Capital Corporation had authorized, but not issued, 10,000 shares of $1 par value preferred stock.

Note 13. Dividends

In 2018, 2017, and 2016, Capital Corporation declared and paid cash dividends of $375.0 million, $285.0 million, and $485.0 million, respectively, to JDFS. In each case, JDFS paid comparable dividends to Deere & Company.

Note 14. Pension and Other Postretirement Benefits

The Company is a participating employer in certain Deere & Company sponsored defined benefit pension plans for employees in the U.S. and certain defined benefit pension plans outside the U.S. These pension plans provide for benefits that are based primarily on years of service and employee compensation. Pension expense is actuarially determined based on the Company's employees included in the plan. The Company's pension expense amounted to $6.2 million in 2018, $5.5 million in 2017, and $5.7 million in 2016. The accumulated benefit obligation and plan net assets for the employees of the Company are not determined separately from Deere & Company. The Company provides defined benefit health care and life insurance plans for certain retired employees in the U.S. as a participating employer in Deere & Company's sponsored plans. Health care and life insurance benefits expense is actuarially determined based on the Company's employees included in the plans and amounted to $2.5 million in 2018, $2.9 million in 2017, and $2.4 million in 2016. Further disclosure for these plans is included in the notes to the Deere & Company 2018 Annual Report on Form 10-K.

The Company is a participating employer in certain Deere & Company sponsored defined contribution plans related to employee investment and savings plans primarily in the U.S. The Company's contributions and costs under these plans were $12.7 million in 2018, $12.0 million in 2017, and $12.2 million in 2016. The contribution rate varies primarily based on Deere & Company's performance in the prior year and employee participation in the plans.

Note 15. Stock Option and Restricted Stock Awards

Certain employees of the Company participate in Deere & Company share-based compensation plans. During 2018, 2017, and 2016, the total share-based compensation expense was $7.9 million, $6.4 million, and $5.7 million, respectively, with an income tax benefit recognized in net income of $1.9 million, $2.4 million, and $2.1 million, respectively. Further disclosure for these plans is included in the notes to the Deere & Company 2018 Annual Report on Form 10-K.

Note 16. Income Taxes

On December 22, 2017, the U.S. government enacted tax reform. The primary provisions of tax reform affecting the Company in 2018 were a reduction to the corporate income tax rate from 35 percent to 21 percent and a transition from a worldwide corporate tax system to a primarily territorial tax system. The reduction in the corporate income tax rate required the Company to remeasure its U.S. net deferred tax liabilities to the new corporate tax rate and the transition to a territorial tax system requires payment of a one-time tax on the deemed repatriation of undistributed and previously untaxed non-U.S. earnings. Under current tax law, the Company plans to pay the deemed earnings repatriation tax (repatriation tax) in 2019 with an expected U.S. income tax overpayment.

The income tax (benefit) expense for the net deferred tax liability remeasurement and the repatriation tax in 2018 were as follows (in millions of dollars):

	2018
Net deferred tax liability remeasurement	$ (362.9)
Deemed earnings repatriation tax	20.6
Total discrete tax (benefit) expense	$ (342.3)

The provision for income taxes was also affected primarily by the lower corporate income tax rate on current year income.

The 21 percent corporate income tax rate was effective January 1, 2018. Based on the Company's October fiscal year end, the U.S. statutory income tax rate for fiscal year 2018 was approximately 23.3 percent.

The 2018 repatriation tax expense is based on interpretations of existing laws, regulations, and certain assumptions. Further regulatory guidance is expected, which could affect the recorded expense. The Company continues to analyze the repatriation tax provisions, and monitor legislative and regulatory developments.

The taxable income of the Company is included in the consolidated U.S. income tax return of Deere & Company. Under a tax sharing agreement with Deere & Company, the Company's provision (credit) for income taxes is generally recorded as if Capital Corporation and each of its subsidiaries filed separate income tax returns, with a modification for realizability of certain tax benefits.

The provision (credit) for income taxes by taxing jurisdiction and by significant component consisted of the following (in millions of dollars):

	2018	2017	2016
Current:			
U.S.:			
Federal	$ (244.5)	$ 50.0	$ (119.0)
State	6.0	3.1	4.4
Foreign	17.6	25.6	17.1
Total current	(220.9)	78.7	(97.5)
Deferred:			
U.S.:			
Federal	(3.4)	93.5	273.4
State	4.2	.3	(.7)
Foreign	2.9	(1.0)	5.1
Total deferred	3.7	92.8	277.8
Provision (credit) for income taxes	$ (217.2)	$ 171.5	$ 180.3

In 2018, the Company recorded a tax benefit under the tax sharing agreement that was $19.0 million higher than an unmodified, separate return basis. The additional tax benefit is related to deductions that will be included in the 2018 consolidated U.S. income tax return of Deere & Company at Deere & Company's 2018 U.S. statutory income tax rate of 23.3 percent. On an unmodified, separate return basis, a net operating loss would have been generated and a deferred tax asset recorded in 2018 at a U.S. statutory income tax rate of 21 percent. The pro forma provision (credit) for income taxes and net income on this basis would have been as follows (in millions of dollars):

	2018
Provision (credit) for income taxes assuming computation on an unmodified, separate return basis	$ (198.2)
Pro forma net income attributable to the Company	780.2

The amounts due from (payable to) Deere and Company under the tax sharing agreement at October 28, 2018 and October 29, 2017 were $439.1 million and $(44.0) million, respectively. The current year tax sharing receivable is included in other receivables on the consolidated balance sheet and was settled in November 2018. The prior year tax sharing payable is included in accounts payable and accrued expenses on the consolidated balance sheet.

A comparison of the statutory and effective income tax provision and reasons for related differences follows (in millions of dollars):

	2018	2017	2016
U.S. federal income tax provision at a statutory rate (2018 - 23.3 percent, 2017 and 2016 - 35 percent)	$ 135.3	$ 174.6	$ 182.0
Increase (decrease) resulting from:			
Net deferred tax liability remeasurement	(362.9)		
Deemed earnings repatriation tax	20.6		
Other effects of tax reform	(8.5)		
Tax rates on foreign earnings	2.1	(6.8)	(5.9)
Municipal lease income not taxable	(.8)	(1.3)	(1.4)
State and local income taxes, net of federal income tax benefit	7.8	2.2	2.4
Other – net	(10.8)	2.8	3.2
Provision (credit) for income taxes	$ (217.2)	$ 171.5	$ 180.3

At October 28, 2018, accumulated earnings in certain subsidiaries outside the U.S. totaled $68.8 million, which were subject to the repatriation tax. No provision for foreign withholding taxes has been made because it is expected that these earnings will remain indefinitely reinvested outside the U.S. Determination of the amount of a foreign withholding tax liability on these unremitted earnings is not practicable.

An additional $372.8 million of earnings in subsidiaries outside the U.S., which were previously expected to be reinvested outside the U.S., were also subject to the repatriation tax. In the fourth quarter of 2018, the Company reviewed its global funding requirements and determined those earnings would no longer be indefinitely reinvested. Although these earnings will not be subject to U.S. income tax when repatriated to the U.S., in the fourth quarter of 2018, an accrual of $.7 million was recorded for foreign withholding taxes.

Deferred income taxes arise because there are certain items that are treated differently for financial accounting than for income tax reporting purposes. An analysis of deferred income tax assets and liabilities at October 28, 2018 and October 29, 2017 was as follows (in millions of dollars):

	2018		2017	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Lease transactions		$ 856.5		$ 898.4
Tax over book depreciation		5.2		2.5
Deferred retail note finance income		1.6		4.6
Accrual for retirement and other benefits		.5	$ 29.9	
Allowance for credit losses	$ 31.8		54.5	
Tax loss and tax credit carryforwards	33.6		29.5	
Federal taxes on deferred state tax deductions	13.4		14.5	
Miscellaneous accruals and other	4.1	3.9	1.7	2.3
Less valuation allowances	(2.6)		(2.9)	
Deferred income tax assets and liabilities	$ 80.3	$ 867.7	$ 127.2	$ 907.8

At October 28, 2018, certain tax affected tax loss and tax credit carryforwards of $33.6 million were available, with $28.2 million expiring from 2019 through 2038 and $5.4 million with an indefinite carryforward period.

A reconciliation of the total amounts of unrecognized tax benefits at October 28, 2018, October 29, 2017, and October 30, 2016 was as follows (in millions of dollars):

	2018	2017	2016
Beginning of year balance	$ 35.5	$ 36.5	$ 36.0
Increases to tax positions taken during the current year	9.1	7.6	9.7
Increases to tax positions taken during prior years	.9	1.2	1.1
Decreases to tax positions taken during prior years	(4.6)	(5.9)	(7.3)
Decreases due to lapse of statute of limitations	(4.6)	(3.9)	(3.0)
End of year balance	$ 36.3	$ 35.5	$ 36.5

The amount of unrecognized tax benefits at October 28, 2018 and October 29, 2017 that would affect the effective tax rate if the tax benefits were recognized was $19.4 million and $18.0 million, respectively. The remaining liability was related to tax positions for which there are offsetting tax receivables, or the uncertainty was only related to timing. The Company expects that any reasonably possible change in the amounts of unrecognized tax benefits in the next twelve months would not be significant.

The Company files its tax returns according to the tax laws of the jurisdictions in which it operates, which includes the U.S. federal jurisdiction, and various state and foreign jurisdictions. The Company is included in the consolidated U.S. income tax return and various state returns of Deere & Company. The U.S. Internal Revenue Service has completed the examination of Deere & Company's federal income tax returns for periods prior to 2015. The years' 2008 through 2014 returns are subject to final approval on limited issues, of which the tax effects are recorded. The years 2015, 2016, and 2017 federal income tax returns are currently under examination. Various state and foreign income tax returns also remain subject to examination by taxing authorities.

The Company's policy is to recognize interest related to income taxes in interest expense and other income, and recognize penalties in administrative and operating expenses. During 2018, 2017, and 2016, the total amount of expense from interest and penalties was $1.8 million, $.6 million, and $1.8 million, respectively, and the interest income was not material for any of the periods. At October 28, 2018 and October 29, 2017, the liability for accrued interest and penalties totaled $19.2 million and $17.4 million, respectively.

The Company will be subject to additional requirements of tax reform beginning in 2019. Those provisions include a tax on global intangible low-taxed income (GILTI), a tax determined by base erosion and anti-abuse tax benefits (BEAT) from certain payments between a U.S. corporation and foreign subsidiaries, a deduction for foreign derived intangible income (FDII), and interest expense limitations. Through the preliminary review of these provisions, the Company does not expect the net effect to be significant for the 2019 provision for income taxes. The Company's accounting policy election is to treat the taxes due on future U.S. inclusions in taxable income under GILTI as a period cost when incurred.

Note 17. Other Income and Administrative and Operating Expenses

The major components of other income and administrative and operating expenses were as follows (in millions of dollars):

	2018	2017	2016
Other income – net			
Fees from customers	$ 22.4	$ 31.0	$ 27.5
Fees from John Deere	20.1	11.9	6.5
Interest income	23.3	10.3	4.5
Other	13.0	6.3	5.3
Total	$ 78.8	$ 59.5	$ 43.8
Administrative and operating expenses *			
Compensation and benefits	$ 255.4	$ 248.6	$ 230.5
Other	146.7	173.9	236.4
Total	$ 402.1	$ 422.5	$ 466.9

* Fiscal year 2017 and 2016 amounts were restated for the adoption of ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. See Note 3.

Note 18. Cash Flow Information

For purposes of the statement of consolidated cash flows, the Company considers investments with purchased maturities of three months or less to be cash equivalents. Substantially all of the Company's short-term borrowings, excluding the securitization borrowings and current maturities of long-term borrowings, mature or may require payment within three months or less.

Cash payments by the Company for interest in 2018, 2017, and 2016 were $751.9 million, $531.7 million, and $421.4 million, respectively. Cash payments (receipts) for income taxes during these same periods were $268.4 million, $48.5 million, and $(80.6) million, respectively.

Note 19. Commitments and Contingencies

At October 28, 2018, John Deere Financial Inc., the John Deere finance subsidiary in Canada, had $359.4 million of commercial paper, $229.6 million of medium-term notes outstanding, and a fair value liability of $33.8 million for derivatives outstanding, prior to considering applicable netting provisions, with a notional amount of $1,942.8 million that were guaranteed by Capital Corporation. The weighted average interest rate on the medium-term notes at October 28, 2018 was 3.1 percent with a maximum remaining maturity of approximately three years.

Capital Corporation has a variable interest in John Deere Canada Funding Inc. (JDCFI), a wholly-owned subsidiary of John Deere Financial Inc., which was created as a VIE to issue debt in public markets to fund the operations of affiliated companies in Canada. Capital Corporation has a variable interest in JDCFI because it provides guarantees for all debt issued by JDCFI, however it does not consolidate JDCFI because it does not have the power to direct the activities that most significantly impact JDCFI's economic performance. Capital Corporation has no carrying value of assets or liabilities related to JDCFI. Its maximum exposure to loss is the amount of the debt issued by JDCFI and guaranteed by Capital Corporation, which was $2,066.0 million at October 28, 2018. The weighted average interest rate on the debt at October 28, 2018 was 2.3 percent with a maximum remaining maturity of approximately five years. No additional support beyond what was previously contractually required has been provided to JDCFI during the reporting periods.

The Company has commitments to extend credit to customers and John Deere dealers through lines of credit and other pre-approved credit arrangements. The Company applies the same credit policies and approval process for these commitments to extend credit as it does for its Receivables. Collateral is not required for these commitments, but if credit is extended, collateral may be required upon funding. The amount of unused commitments to extend credit to John Deere

dealers was $7.8 billion at October 28, 2018. The amount of unused commitments to extend credit to customers was $27.7 billion at October 28, 2018. A significant portion of these commitments is not expected to be fully drawn upon; therefore, the total commitment amounts do not represent a future cash requirement. The Company generally has the right to unconditionally cancel, alter, or amend the terms of these commitments at any time. Over 95 percent of the unused commitments to extend credit to customers relate to revolving charge accounts. At October 28, 2018, Capital Corporation had $61.7 million in unused loan commitments denominated in rubles to Limited Liability Company John Deere Financial, the John Deere finance subsidiary in Russia.

At October 28, 2018, the Company had restricted other assets of approximately $24.6 million. See Note 6 for additional restricted assets associated with borrowings related to securitizations.

The Company is subject to various unresolved legal actions which arise in the normal course of its business, the most prevalent of which relate to retail credit matters. The Company believes the reasonably possible range of losses for these unresolved legal actions would not have a material effect on its consolidated financial statements.

Note 20. Other Comprehensive Income Items

The after-tax changes in accumulated other comprehensive income (loss) were as follows (in millions of dollars):

	2018	2017	2016
Cumulative translation adjustment:			
Beginning of year balance	$ (60.0)	$ (84.1)	$ (60.4)
Current period activity	(20.7)	24.1	(23.7)
End of year balance	$ (80.7)	$ (60.0)	$ (84.1)
Unrealized gain (loss) on derivatives:			
Beginning of year balance	$ 4.2	$ .3	$ (2.7)
Current period activity	9.1	3.9	3.0
ASU No. 2018-02 *	1.5		
End of year balance	$ 14.8	$ 4.2	$ .3

* See Note 3.

Following are amounts recorded in and reclassifications out of other comprehensive income (loss) and the income tax effects (in millions of dollars):

	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
2018			
Cumulative translation adjustment	$ (20.7)		$ (20.7)
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	17.8	$ (4.5)	13.3
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	(5.5)	1.3	(4.2)
Net unrealized gain (loss) on derivatives	12.3	(3.2)	9.1
Total other comprehensive income (loss)	$ (8.4)	$ (3.2)	$ (11.6)
2017			
Cumulative translation adjustment	$ 24.1		$ 24.1
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	4.9	$ (1.7)	3.2
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	1.1	(.4)	.7
Net unrealized gain (loss) on derivatives	6.0	(2.1)	3.9
Total other comprehensive income (loss)	$ 30.1	$ (2.1)	$ 28.0
2016			
Cumulative translation adjustment	$ (23.7)		$ (23.7)
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(.4)	$ .1	(.3)
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	5.0	(1.7)	3.3
Net unrealized gain (loss) on derivatives	4.6	(1.6)	3.0
Total other comprehensive income (loss)	$ (19.1)	$ (1.6)	$ (20.7)

Note 21. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine fair value, the Company uses various methods including market and income approaches. The Company utilizes valuation models and techniques that maximize the use of observable inputs. The models are industry-standard models that consider various assumptions including time values and yield curves as well as other economic measures. These valuation techniques are consistently applied.

Level 1 measurements consist of quoted prices in active markets for identical assets or liabilities. Level 2 measurements include significant other observable inputs such as quoted prices for similar assets or liabilities in active markets; identical assets or liabilities in inactive markets; observable inputs such as interest rates and yield curves; and other market-corroborated inputs. Level 3 measurements include significant unobservable inputs.

The fair values of financial instruments that do not approximate the carrying values at October 28, 2018 and October 29, 2017 were as follows (in millions of dollars):

	2018		2017	
	Carrying Value	Fair Value *	Carrying Value	Fair Value *
Receivables financed – net	$ 26,594.7	$ 26,390.4	$ 24,123.1	$ 24,016.0
Retail notes securitized – net	3,945.3	3,894.6	4,158.8	4,129.6
Securitization borrowings	3,881.7	3,869.5	4,118.7	4,118.4
Current maturities of long-term borrowings	4,587.6	4,577.8	5,056.9	5,080.6
Long-term borrowings	19,432.2	19,535.8	17,534.4	17,763.6

* Fair value measurements above were Level 3 for all Receivables and Level 2 for all borrowings.

Fair values of Receivables that were issued long-term were based on the discounted values of their related cash flows at interest rates currently being offered by the Company for similar Receivables. The fair values of the remaining Receivables approximated the carrying amounts.

Fair values of long-term borrowings and short-term securitization borrowings were based on current market quotes for identical or similar borrowings and credit risk or on the discounted values of their related cash flows at current market interest rates. Certain long-term borrowings have been swapped to current variable interest rates. The carrying values of these long-term borrowings include adjustments related to fair value hedges.

Assets and liabilities measured at October 28, 2018 and October 29, 2017 at fair value as Level 2 measurements on a recurring basis were as follows (in millions of dollars):

	2018	2017
Receivables from John Deere		
Derivatives:		
Interest rate contracts	$ 55.9	$ 85.4
Cross-currency interest rate contracts	3.4	5.6
Other assets		
Derivatives:		
Interest rate contracts	.4	8.1
Foreign exchange contracts	22.0	24.6
Total assets *	$ 81.7	$ 123.7
Other payables to John Deere		
Derivatives:		
Interest rate contracts	$ 342.4	$ 125.6
Cross-currency interest rate contracts	.1	.9
Accounts payable and accrued expenses		
Derivatives:		
Foreign exchange contracts	1.4	6.0
Total liabilities	$ 343.9	$ 132.5

* Excluded from this table are the Company's cash equivalents, which were carried at cost that approximates fair value. The cash equivalents consist primarily of time deposits and money market funds.

Fair value, nonrecurring, Level 3 measurements from impairments at October 28, 2018 and October 29, 2017 were as follows (in millions of dollars):

	Fair Value		Losses *		
	2018	2017	2018	2017	2016
Equipment on operating leases - net					$ 31.1
Other assets					28.6
Total					$ 59.7

* See Receivables with specific allowances in Note 5. Losses were not significant. See Note 7 for impairments on lease residual values.

The following is a description of the valuation methodologies the Company uses to measure certain financial instruments on the balance sheet at fair value:

Derivatives – The Company's derivative financial instruments consist of interest rate swaps and caps, foreign currency forwards and swaps, and cross-currency interest rate swaps. The portfolio is valued based on an income approach (discounted cash flow) using market observable inputs, including swap curves and both forward and spot exchange rates for currencies.

Receivables – Specific reserve impairments are based on the fair value of the collateral, which is measured using a market approach (appraisal values or realizable values). Inputs include a selection of realizable values.

Equipment on operating leases - net – The impairments are based on an income approach (discounted cash flow), using the contractual payments, plus an estimate of equipment sale price at lease maturity. Inputs include realized sales values.

Other assets – Impairments are based on the fair value of the matured operating lease inventory, which is measured using a market approach. Inputs include realized sales values.

Note 22. Derivative Instruments

Cash Flow Hedges

Certain interest rate contracts (swaps) were designated as hedges of future cash flows from borrowings. The total notional amounts of the receive-variable/pay-fixed interest rate contracts at October 28, 2018 and October 29, 2017 were $3,050.0 million and $1,700.0 million, respectively. The effective portions of the fair value gains or losses on these cash flow hedges were recorded in other comprehensive income and subsequently reclassified into interest expense in the same periods during which the hedged transactions affected earnings. These amounts offset the effects of interest rate changes on the related borrowings. Any ineffective portions of the gains or losses on all cash flow interest rate contracts designated as cash flow hedges were recognized currently in interest expense and were not material during any years presented. The cash flows from these contracts were recorded in operating activities in the statement of consolidated cash flows.

The amount of gain recorded in OCI at October 28, 2018 that is expected to be reclassified to interest expense in the next twelve months if interest rates remain unchanged is approximately $10.2 million after-tax. These contracts mature in up to 26 months. There were no gains or losses reclassified from OCI to earnings based on the probability that the original forecasted transaction would not occur.

Fair Value Hedges

Certain interest rate contracts (swaps) were designated as fair value hedges of borrowings. The total notional amounts of the receive-fixed/pay-variable interest rate contracts at October 28, 2018 and October 29, 2017 were $8,096.6 million and $8,077.2 million, respectively. The effective portions of the fair value gains or losses on these contracts were offset by fair value gains or losses on the hedged items (fixed-rate borrowings). Any ineffective portions of the gains or losses were recognized currently in interest expense. The ineffective portions were losses of $2.1 million and $1.6 million in 2018 and 2016, respectively, and a gain of $2.7 million in 2017. The cash flows from these contracts were recorded in operating activities in the statement of consolidated cash flows.

The gains (losses) on these contracts and the underlying borrowings recorded in interest expense were as follows (in millions of dollars):

	2018	2017	2016
Interest rate contracts *	$ (292.8)	$ (273.9)	$ 9.0
Borrowings **	290.7	276.6	(10.6)

* Includes changes in fair values of interest rate contracts excluding net accrued interest income of $11.4 million, $75.8 million, and $142.1 million during 2018, 2017, and 2016, respectively.

** Includes adjustments for fair values of hedged borrowings excluding accrued interest expense of $237.9 million, $229.5 million, $276.8 million during 2018, 2017, and 2016, respectively.

Derivatives Not Designated as Hedging Instruments

The Company has certain interest rate contracts (swaps and caps), foreign exchange contracts (forwards and swaps), and cross-currency interest rate contracts (swaps), which were not formally designated as hedges. These derivatives were held as economic hedges for underlying interest rate or foreign currency exposures primarily for certain borrowings. The total notional amounts of the interest rate swaps at October 28, 2018 and October 29, 2017 were $1,899.6 million and $2,311.3 million, the foreign exchange contracts were $1,564.3 million and $1,455.9 million, and the cross-currency interest rate contracts were $71.8 million and $65.8 million, respectively. At October 28, 2018 and October 29, 2017, there were also $1,519.1 million and $1,594.3 million, respectively, of interest rate caps purchased and the same amounts sold at the same capped interest rate to facilitate borrowings through securitization of retail notes. The fair value gains or losses from the interest rate contracts were recognized currently in interest expense and the gains or losses from foreign exchange contracts in administrative and operating expenses, generally offsetting over time the expenses on the exposures being hedged. The cash flows from these non-designated contracts were recorded in operating activities in the statement of consolidated cash flows.

Fair values of derivative instruments in the consolidated balance sheet at October 28, 2018 and October 29, 2017 were as follows (in millions of dollars):

	2018	2017
Receivables from John Deere		
Designated as hedging instruments:		
Interest rate contracts	$ 29.0	$ 64.8
Not designated as hedging instruments:		
Interest rate contracts	26.9	20.6
Cross-currency interest rate contracts	3.4	5.6
Total not designated	30.3	26.2
Other Assets		
Designated as hedging instruments:		
Interest rate contracts		7.0
Not designated as hedging instruments:		
Interest rate contracts	.4	1.1
Foreign exchange contracts	22.0	24.6
Total not designated	22.4	25.7
Total derivative assets	$ 81.7	$ 123.7
Other Payables to John Deere		
Designated as hedging instruments:		
Interest rate contracts	$ 314.5	$ 107.2
Not designated as hedging instruments:		
Interest rate contracts	27.9	18.4
Cross-currency interest rate contracts	.1	.9
Total not designated	28.0	19.3
Accounts Payable and Accrued Expenses		
Not designated as hedging instruments:		
Foreign exchange contracts	1.4	6.0
Total not designated	1.4	6.0
Total derivative liabilities	$ 343.9	$ 132.5

The classification and gains (losses) including accrued interest expense related to derivative instruments on the statement of consolidated income consisted of the following (in millions of dollars):

	Expense or OCI Classification	2018	2017	2016
Fair Value Hedges				
Interest rate contracts	Interest expense	$ (281.4)	$ (198.1)	$ 151.1
Cash Flow Hedges				
Recognized in OCI (Effective Portion):				
Interest rate contracts	OCI (pretax) *	17.8	4.9	(.4)
Reclassified from OCI (Effective Portion):				
Interest rate contracts	Interest expense *	5.5	(1.1)	(5.0)
Recognized Directly in Income (Ineffective Portion)		**	**	**
Not Designated as Hedges				
Interest rate contracts	Interest expense *	$ (6.6)	$ (2.6)	$ (1.5)
Foreign exchange contracts	Administrative and operating expenses *	96.7	(79.2)	59.0
Total not designated		$ 90.1	$ (81.8)	$ 57.5

* Includes interest and foreign exchange gains (losses) from cross-currency interest rate contracts.
** The amounts were not significant.

Included in the table above are interest expense and administrative and operating expense amounts the Company incurred on derivatives transacted with John Deere. The amount the Company recognized on these affiliate party transactions were losses of $281.1 million and $201.0 million during 2018 and 2017, respectively, and a gain of $151.9 million during 2016.

Counterparty Risk and Collateral

The Company's outstanding derivatives have been transacted with both unrelated external counterparties and with John Deere. For derivatives transacted with John Deere, the Company utilizes a centralized hedging structure in which John Deere enters into a derivative transaction with an unrelated external counterparty and simultaneously enters into a derivative transaction with the Company. Except for collateral provisions, the terms of the transaction between the Company and John Deere are identical to the terms of the transaction between John Deere and its unrelated external counterparty.

Certain of the Company's derivative agreements executed directly with unrelated external counterparties contain credit support provisions that may require the Company to post collateral based on the size of the net liability positions and credit ratings. At October 28, 2018 and October 29, 2017, there were no aggregate liability positions for derivatives with credit-risk-related contingent features. If certain of the credit-risk-related contingent features were triggered, the Company would be required to post collateral up to an amount equal to any liability position, prior to considering applicable netting provisions.

Derivative instruments are subject to significant concentrations of credit risk to the banking sector. The Company manages individual unrelated external counterparty exposure by setting limits that consider the credit rating of the unrelated external counterparty, the credit default swap spread of the counterparty, and other financial commitments and exposures between the Company and the unrelated external counterparty banks. All interest rate derivatives are transacted under International Swaps and Derivatives Association (ISDA) documentation. Each master agreement executed with an unrelated external counterparty permits the net settlement of amounts owed in the event of default or termination.

The Company also has ISDA agreements with John Deere that permit the net settlement of amounts owed between counterparties in the event of early termination. In addition, the Company has a loss sharing agreement with John Deere in which it has agreed to absorb any losses and expenses John Deere incurs if an unrelated external counterparty fails to meet its obligations on a derivative transaction that John Deere entered into to manage exposures of the Company. The loss sharing agreement does not increase the maximum amount of loss that the Company would incur, after considering collateral received and netting arrangements, as of October 28, 2018. The loss sharing agreement increased the maximum amount of loss that the Company would incur, after considering collateral received and netting arrangements, by $23.5 million as of October 29, 2017.

Derivatives are recorded without offsetting for netting arrangements or collateral. The impact on the derivative assets and liabilities for external derivatives and those with John Deere related to netting arrangements and any collateral received or paid were as follows (in millions of dollars):

2018

Derivatives:	**Gross Amounts Recognized**	**Netting Arrangements**	**Cash Collateral Received/Paid**	**Net Amount**
Assets				
External	$ 22.4	$ (.1)		$ 22.3
John Deere	59.3	(27.6)		31.7
Liabilities				
External	1.4	(.1)		1.3
John Deere	342.5	(27.6)		314.9

2017

Derivatives:	**Gross Amounts Recognized**	**Netting Arrangements**	**Cash Collateral Received/Paid**	**Net Amount**
Assets				
External	$ 32.7	$ (.1)		$ 32.6
John Deere	91.0	(65.9)		25.1
Liabilities				
External	6.0	(.1)		5.9
John Deere	126.5	(65.9)		60.6

Note 23. Voluntary Employee Separation Program

During the fourth quarter of 2016, the Company announced a voluntary employee-separation program as part of its effort to reduce operating costs. The program provided for cash payments based on previous years of service. The expense was recorded in the period the employees accepted the separation offer. The program's total pretax expenses were $8.4 million, of which $.2 million was recorded in the fourth quarter of 2016 and $8.2 million in 2017. The payment for the program was substantially made in the first quarter of 2017. The expense was recorded in administrative and operating expenses.

Note 24. Geographic Area Information

Based on the way the operations are managed and evaluated by management and materiality considerations, the Company is viewed as one operating segment. However, geographic area information for revenues and Receivables attributed to the U.S. and countries outside the U.S. is disclosed below. No individual foreign country's revenues or Receivables were material for disclosure purposes.

Geographic area information as of and for the years ended October 28, 2018, October 29, 2017, and October 30, 2016 is presented below (in millions of dollars):

	2018	2017	2016
Revenues:			
U.S.	$ 2,266.8	$ 2,030.3	$ 1,899.3
Outside the U.S.	265.4	196.7	194.9
Total	$ 2,532.2	$ 2,227.0	$ 2,094.2
Receivables:			
U.S.	$ 26,039.6	$ 24,189.6	$ 24,287.9
Outside the U.S.	4,607.1	4,206.1	3,426.6
Total	$ 30,646.7	$ 28,395.7	$ 27,714.5

Note 25. Unconsolidated Affiliated Company

The Company's investment in an unconsolidated affiliated company consists of a 50% ownership in John Deere Financial S.A.S., a joint venture in France that primarily offers lease financing to customers. The Company does not control the joint venture and accounts for its investment in the joint venture on the equity basis. The Company's share of the income or loss of this joint venture is reported in the consolidated income statement under "Equity in income of unconsolidated affiliate." The investment in this joint venture is reported in the consolidated balance sheet under "Investment in unconsolidated affiliate."

Summarized financial information of the unconsolidated affiliated company for the years ended October 28, 2018, October 29, 2017, and October 30, 2016 was as follows (in millions of dollars):

	2018	2017	2016
Operations:			
Total revenue	$ 11.7	$ 10.1	$ 10.7
Net income	3.9	2.3	3.2
The Company's equity in net income	1.9	1.2	1.6

	2018	2017
Financial Position:		
Total assets	$ 235.6	$ 212.2
Total external borrowings	197.6	176.8
Total net assets	30.3	27.6
The Company's share of net assets	15.2	13.8

Note 26. Supplemental Information (Unaudited)

Quarterly Information

The Company's fiscal year ends in October and its interim periods (quarters) end in January, April, and July. Supplemental quarterly information for the Company follows (in millions of dollars):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
2018:					
Revenues	$ 585.2	$ 617.5	$ 661.1	$ 668.4	$ 2,532.2
Interest expense	154.1	180.3	196.1	206.7	737.2
Operating expenses	289.4	311.8	315.3	298.6	1,215.1
Provision (credit) for income taxes	(256.9)	6.6	30.0	3.1	(217.2)
Equity in income of unconsolidated affiliate	.8	.4	.4	.3	1.9
Net loss attributable to noncontrolling interests			(.1)	(.1)	(.2)
Net income attributable to the Company	$ 399.4	$ 119.2	$ 120.2	$ 160.4	$ 799.2
2017:					
Revenues	$ 522.4	$ 543.9	$ 571.8	$ 588.9	$ 2,227.0
Interest expense	115.1	127.1	130.1	148.8	521.1
Operating expenses	299.9	316.0	304.0	287.2	1,207.1
Provision for income taxes	33.6	36.6	49.7	51.6	171.5
Equity in income of unconsolidated affiliate	.5	.3	.3	.1	1.2
Net income attributable to noncontrolling interests	.1				.1
Net income attributable to the Company	$ 74.2	$ 64.5	$ 88.3	$ 101.4	$ 328.4

Note 27. Subsequent Events

In December 2018, Capital Corporation paid a $200.0 million dividend to JDFS. JDFS, in turn, paid a $200.0 million dividend to Deere & Company.

In November 2018, the Company entered into a retail note securitization using its bank conduit facility that resulted in securitization borrowings of approximately $1,245.4 million.

Index to Exhibits

3.1 Certificate of Incorporation, as amended (Exhibit 3.1 to Form 10-K of the registrant for the year ended October 31, 1999, Securities and Exchange Commission File No. 1-6458*)

3.2 Bylaws, as amended (Exhibit 3.2 to Form 10-K of the registrant for the year ended October 31, 1999, Securities and Exchange Commission File No. 1-6458*)

4.1 Senior Indenture dated as of March 15, 1997 between the registrant and The Bank of New York Mellon (successor Trustee to The Chase Manhattan Bank National Association), as Trustee (Exhibit 4.1 to registration statement on Form S-3 no. 333-68355, filed December 4, 1998, Securities and Exchange Commission file number 1-6458*)

4.2 First Supplemental Senior Indenture dated as of April 21, 2011 between the registrant and The Bank of New York Mellon, as Trustee (Exhibit 4.2 to registration statement on Form S-3 no. 333-173672, filed April 21, 2011, Securities and Exchange Commission file number 1-6458*)

4.3 Second Supplemental Senior Indenture dated as of April 17, 2014 between the registrant and The Bank of New York Mellon, as Trustee (Exhibit 4.3 to registration statement on Form S-3 no. 333-195332, filed April 17, 2014, Securities and Exchange Commission file number 1-6458*)

4.4 Subordinated Indenture dated as of September 1, 2003 between the registrant and U.S. Bank National Association, as Trustee (Exhibit 4.3 to registration statement on Form S-3 no. 333-108705, filed September 11, 2003, Securities and Exchange Commission file number 1-6458*)

4.5 Terms and Conditions of the Notes, published on February 2, 2017, applicable to the U.S. $3,000,000,000 Euro Medium Term Note Programme of registrant, Deere & Company, John Deere Bank S.A., and John Deere Cash Management S.A. (Exhibit 4.3 to Form 10-K of Deere & Company for the year ended October 29, 2017, Securities and Exchange Commission File No. 1-4121*)

4.6 Third Supplemental Senior Indenture dated as of April 7, 2017 between the registrant and The Bank of New York Mellon, as Trustee (Exhibit 4.4 to registration statement on Form S-3 no. 333-217193, filed April 7, 2017, Securities and Exchange Commission file number 1-6458*)

Certain instruments relating to long-term debt constituting less than 10% of the registrant's total assets may not be filed as exhibits herewith pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The registrant will file copies of such instruments upon request of the Commission.

10.1 Agreement as amended November 1, 1994 between the registrant and Deere & Company concerning agricultural retail notes (Exhibit 10.1 to Form 10-K of Deere & Company for the year ended October 31, 1998, Securities and Exchange Commission file number 1-4121*)

10.2 Agreement as amended November 1, 1994 between the registrant and Deere & Company concerning lawn and grounds care retail notes (Exhibit 10.2 to the Form 10-K of Deere & Company for the year ended October 31, 1998, Securities and Exchange Commission file number 1-4121*)

10.3 Agreement as amended November 1, 1994 between the registrant and John Deere Construction Equipment Company concerning construction retail notes (Exhibit 10.3 to the Form 10-K of Deere & Company for the year ended October 31, 1998, Securities and Exchange Commission file number 1-4121*)

10.4 Agreement dated July 14, 1997 between the registrant and John Deere Construction Equipment Company concerning construction retail notes (Exhibit 10.4 to Form 10-K of Deere & Company for the year ended October 31, 2003, Securities and Exchange Commission File No. 1-4121*)

10.5 Agreement dated November 1, 2003 between the registrant and Deere & Company relating to fixed charges ratio, ownership and minimum net worth (Exhibit 10.5 to Form 10-K of Deere & Company for the year ended October 31, 2003, Securities and Exchange Commission File No. 1-4121*)

10.6 Asset Purchase Agreement dated October 29, 2001 between Deere & Company and Deere Capital, Inc. concerning the sale of trade receivables (Exhibit 10.19 to Form 10-K of Deere & Company for the year ended October 31, 2001, Securities and Exchange Commission File No. 1-4121*)

10.7 Asset Purchase Agreement dated October 29, 2001 between John Deere Construction & Forestry Company and Deere Capital, Inc. concerning the sale of trade receivables (Exhibit 10.20 to Form 10-K of Deere & Company for the year ended October 31, 2001, Securities and Exchange Commission File No. 1-4121*)

10.8 Factoring Agreement dated September 20, 2002 between John Deere Bank S.A. (as successor in interest to John Deere Finance S.A.) and John Deere Vertrieb, a branch of Deere & Company, concerning the sale of trade receivables (Exhibit 10.21 to the Form 10-K of Deere & Company for the year ended October 31, 2002, Securities and Exchange Commission file number 1-4121*)

10.9 Receivables Purchase Agreement dated August 23, 2002 between John Deere Bank S.A. (as successor in interest to John Deere Finance S.A.) and John Deere Limited (Scotland) concerning the sale of trade receivables (Exhibit 10.22 to the Form 10-K of Deere & Company for the year ended October 31, 2002, Securities and Exchange Commission file number 1-4121*)

10.10 2021 Credit Agreement among the registrant, Deere & Company, John Deere Bank S.A., various financial institutions, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A. and Deutsche Bank Securities Inc., as documentation agents, and Bank of America, N.A., as syndication agent, dated February 17, 2017 (Exhibit 10.1 to form 10-Q of the registrant for the quarter ended January 29, 2017, Securities and Exchange Commission File No. 1-6458*)

10.11 2022 Credit Agreement among the registrant, Deere & Company, John Deere Bank S.A., various financial institutions, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A. and Deutsche Bank Securities Inc., as documentation agents, and Bank of America, N.A., as syndication agent, dated February 17, 2017 (Exhibit 10.2 to Form 10-Q of the registrant for the quarter ended January 29, 2017, Securities and Exchange Commission File No. 1-6458*)

21. Omitted pursuant to instruction I(2)

23. Consent of Deloitte & Touche LLP

24. Power of Attorney (included on signature page)

31.1 Rule 13a-14(a)/15d-14(a) Certification

31.2 Rule 13a-14(a)/15d-14(a) Certification

32. Section 1350 Certifications

99. Item 1A of the Deere & Company Form 10-K for the fiscal year ended October 28, 2018 (Securities and Exchange Commission file number 1-4121*)

101. Interactive Data File

* Incorporated by reference. Copies of these exhibits are available from the Company upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JOHN DEERE CAPITAL CORPORATION

By: */s/ Samuel R. Allen*
Samuel R. Allen
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: December 17, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Each person signing below also hereby appoints Samuel R. Allen, Cory J. Reed, and Todd E. Davies, and each of them singly, his or her lawful attorney-in-fact with full power to execute and file any and all amendments to this report together with exhibits thereto and generally to do all such things as such attorney-in-fact may deem appropriate to enable John Deere Capital Corporation to comply with the provisions of the Securities Exchange Act of 1934 and all requirements of the Securities and Exchange Commission.

Signature	Title	Date
/s/ Samuel R. Allen Samuel R. Allen	Director, Chairman and Chief Executive Officer (Principal Executive Officer)	
/s/ James M. Field James M. Field	Director	
/s/ David C. Gilmore David C. Gilmore	Director	
/s/ Rajesh Kalathur Rajesh Kalathur	Director and Senior Vice President (Principal Financial Officer and Principal Accounting Officer)	December 17, 2018
/s/ John C. May John C. May	Director	
/s/ Cory J. Reed Cory J. Reed	Director and President	
/s/ Steven N. Owenson Steven N. Owenson	Director	

Signature	Title		Date
/s/ Andrew C. Traeger	Director	)	
Andrew C. Traeger		)	
		)	December 17, 2018
		)	
/s/ Markwart von Pentz	Director	)	
Markwart von Pentz		)	

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-217193 on Form S-3 of our report dated December 17, 2018, relating to the consolidated financial statements of John Deere Capital Corporation and subsidiaries appearing in this Annual Report on Form 10-K of John Deere Capital Corporation and subsidiaries for the year ended October 28, 2018.

/s/ DELOITTE & TOUCHE LLP
Chicago, Illinois

December 17, 2018

Exhibit 31.1

CERTIFICATIONS

I, Samuel R. Allen, certify that:

1. I have reviewed this annual report on Form 10-K of John Deere Capital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 17, 2018

By: */s/ Samuel R. Allen*
Samuel R. Allen
Chairman and Chief Executive Officer and Principal Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Rajesh Kalathur, certify that:

1. I have reviewed this annual report on Form 10-K of John Deere Capital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 17, 2018

By: */s/ Rajesh Kalathur*
Rajesh Kalathur
Senior Vice President and
Principal Financial Officer and
Principal Accounting Officer

STATEMENT PURSUANT TO
18 U.S.C. SECTION 1350
AS REQUIRED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of John Deere Capital Corporation (the "Company") on Form 10-K for the year ended October 28, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

December 17, 2018	*/s/ Samuel R. Allen* Samuel R. Allen	Chairman and Chief Executive Officer and Principal Executive Officer
December 17, 2018	*/s/ Rajesh Kalathur* Rajesh Kalathur	Senior Vice President and Principal Financial Officer and Principal Accounting Officer

A signed original of this written statement required by Section 906 has been provided to John Deere Capital Corporation and will be retained by John Deere Capital Corporation and furnished to the Securities and Exchange Commission or its staff upon request.